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INDIAN  
OCEAN GENERAL  
ASSURANCE LTD

GROWTH TOWARD  
**SUCCESS**



Annual  
Report  
**2019**



CONTINUOUS  
**GROWTH** MEANS  
PROGRESS



**loga**  
INDIAN  
OCEAN GENERAL  
ASSURANCE LTD

# TABLE OF CONTENTS

Corporate Data	2
Chairman's Review	3
Management Review by Chief Executive Officer	4
Corporate Governance Report	6
Certificate of the Secretary	25
Independent auditors' report	26
Statement of financial position	33
Statement of comprehensive income	34
Statement of comprehensive income - General Insurance Business	35
Statement of comprehensive income - Life Assurance Business	36
Statement of cash flows	37
Statement of changes in equity	38
Note to the financial statements	40

# CORPORATE DATA

## Registered Address and Head Office Address

12 Volcy Pougnet Street  
Port Louis, MAURITIUS  
Tel: 208 9000  
Fax: 212 2603  
Email: info@iogaltd.com  
Web: www.ioga.mu

## Auditors

Moore Stephens (Mauritius)  
Chartered Accountants  
6th Floor, Newton Tower  
Sir William Newton Street  
Port Louis  
MAURITIUS

## Independent Actuary

Mrs Teja Ranade Gadhoke  
Fellow of Society of Actuaries  
1-A, Krishna Keval Nagar  
Kondhwa Khurd  
Pune – 411048  
INDIA

Messrs K.A. Pandit, Consultants and Actuaries  
C/201, Remi Bizcourt  
Off, Veers Desai Road  
Andheri West  
Mumbai-58  
INDIA

## Corporate Secretary

Mr V.K. Dwarka  
Descoins Street  
Long Mountain  
MAURITIUS

## Bankers

Afrasia Bank Ltd  
ABC Banking Corporation Ltd  
Bank One Ltd  
Banque des Mascareignes  
Barclays Bank Mauritius Limited  
SBI (Mauritius) Ltd  
State Bank of Mauritius Ltd  
The Mauritius Commercial Bank Ltd

# CHAIRMAN'S REVIEW



Dear Shareholders,

I am pleased to present, on behalf of the board, the Annual Report and Audited Financial Statements of Indian Ocean General Assurance Ltd for the year ended 30th June 2019.

The year under review has witnessed a sharp progress in premium turnover. The progress in premium income was marked to a much greater extent in Non Motor business although the Motor premium income showed a more than honest step forward. We managed to increase the ratio of Non Motor to Motor business whilst sensibly improving our Motor Loss Ratio.

The total comprehensive results are consequently positive this year in spite of a higher premium reserve figure and higher reinsurance costs.

Management costs have this year been stabilized compared to last year in spite of various organisational and financial constraints imposed by the Regulator. We need to see to it that any future increase under this item is accompanied by its share of additional premium income.

Investment income is also stabilized in spite of lower interest rates being obtained from the banking sector.

Competition, specially on motor business, is keener than ever and the pricing of motor rates is becoming more and more inadequate in the light of an increase in the number of road accidents on record and the high repair costs prevailing on the market. The efforts put in by Government to better control drivers' and other users' attitude on the road have not so far shown positive results. On the other side, stricter control by the Regulatory Authority on the operations of the Insurance market is making life more difficult in the midst of increased operating costs and reduced profit margin. The IFRS 17 accounting standard which is coming into effect as from the year 2021 is also likely to cast further burden on the financial statements.

The Directors are not only aware of the difficult economic situation prevailing in the market but also conscious that challenges are ahead of us for the coming years. We are presently building up plans to face the future in terms of an aggressive marketing strategy and a more efficient IT system to suit our sustained development. These actions are intended to make IOGA more visible among the insuring public and to extend further our business relationship with the clientele either by direct contact or through brokers and agents. It is our belief that recognition will come from the level of service offered to our clients and this should be one of our marketing tools in the development of the Company.

I wish to state that my Board of Directors is prepared to give such support as Management may require to face the challenges of the future and bring IOGA in the limelight.

Thanks again to all our Shareholders, the Board of Directors, Members of the staff, our Agents and Salespersons who have during the year contributed to the progress of the Company and who will no doubt support us throughout the coming year of our Golden Jubilee.

A handwritten signature in black ink, appearing to read 'S. Cunden', written in a cursive style.

**Dr Soopramanien M. Cunden**  
Chairman

30th September 2019

# MANAGEMENT REVIEW BY CHIEF EXECUTIVE OFFICER



Dear Shareholders,

It is my pleasure once again to present you a review of the Company's operations during the financial year ended 30th June 2019. Since the past few years, our local insurance industry and our company are facing unprecedented transformation. Transformation has hit our distribution channels, regulatory landscape and customer expectations. The local market has been fiercely competitive and challenging this past year. Despite our small size and such tough conditions, we have been able to withstand pressures and managed to post a two-digit growth on gross premium.

## **Performance review**

Gross premium has shown a growth of 15.0% despite difficult market conditions. Gross premium increased from Rs 60.8 million to Rs 70.0 million. The Net earned premium showed an increase of 8.1 %. Reinsurance premium has increased by 18.3% as new non-motor business underwritten has required greater share of reinsurance. Net claim incurred amounted to Rs 36.7 million as compared to Rs 46.5 million the previous year, a decreased of 21.1%. The overall loss ratio (net claims/net earned premiums) decreased markedly from 78.9% to 62.9%.

Management succeeded to keep administrative expenses under control with an overall decrease of 5.6%. There is a considerable decrease of 62.5% in investment and other income. All these results helped in contributing to Rs 5.2 million as the profit of the year.

Despite strong competition of motor insurance in the local market, our portfolio has increased by 12.4% since last financial year while keeping claims. The guidelines for underwriting motor business were strengthened to achieve this objective. There has been an increased in non-motor business which we intent to build up in the coming year.

## **Capacity building and achieving excellence**

With regard to the implementation of the new information systems, the Company faced severe challenges during the year under review. Issues on project scoping and subsequently vendor relationship arose. The project has now been put now on hold and management worked on a back-up plan. Management took decision to revamp the legacy system and purchase a new server. The new server will be installed in the coming year. The revamped system should help streamline operations and harmonise processes for improved efficiency. This new system will improve employee productivity and will reveal more data which will in turn, help the management improve customer service and design more effective marketing and promotional campaigns.

IOGA will maintain its efforts to improve efficiency and effectiveness over the coming financial year. Human capital is one of the most valuable components of any business and this is why investment in human resources becomes a necessary step in ensuring that a business prospers in a changing market environment. Our main HR priorities have remained the on-going development of our staffs so as to enable them to face both present and future challenges. Our focus will be on higher productivity, quality, innovation and expectation of our employees. We plan to hire a training consultant to carry out our inhouse training program.

#### **Focus on business development**

This coming year, we are hopeful to have a full-fledged business development function up and running. A team of business analyst and experts is required to study and monitor external environment. This will hopefully help identify new opportunities and support elaboration of business development strategies. Information obtained by business development department will be used for elaborating of short-term and long-term business plan.

I wish to express my gratitude to the Board of Directors and our staffs for their continuous support and commitment during the year under review and wish that IOGA will continue to grow profitably in the forthcoming year and years to come. I would also like to thank our customers for their continued trust placed in us.



**Natarajen M. Cunden**  
Chief Executive Officer

30th September 2019

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 1. Compliance Statement

Indian Ocean General Assurance Ltd hereafter referred to as “the Company” is a Public Interest Entity as defined by the Financial Reporting Act 2004. The Company strongly believes in maintaining a simple and transparent corporate structure which defines the division of power and establishes a mechanism for achieving accountability between Board of Directors and shareholders driven solely by business needs.

In line with the above, the Board, management and staff of the Company fully support and are committed to the principle of business integrity, transparency, gender equality and professionalism as recommended by the Code of Corporate Governance. The Company strives to ensure that all the activities are conducted in such a way so as to ensure high ethical standards that have the characteristics of good governance namely: discipline, transparency, accountability, responsibility, fairness and social responsibility. The Company operates in the insurance industry and complies with the new Code of Corporate Governance for Mauritius (2016) (the Code). The Company has adopted all the eight principles of the Code as far as it is reasonably possible and practical.

#### Governance Structure

The Board of Directors has set up a Corporate Governance Committee, an Audit Committee and a Risk Management Committee. The Directors are thus continually focusing on maintaining the sustainability of the Company’s business and discharging their responsibilities of stewardship of the Company’s assets with integrity through the existence of a proper control environment and a well-functioning system of internal control.

### 2. Board of Directors

The Board is composed of ten Directors, two of whom are executives, three are non-executives and five independent Directors. The Board met on five occasions during the year under review. The Directors possess expertise and experience in different fields such as Administration, Accountancy, Banking, Corporate Management, Law and Insurance. The Board collectively and the Directors individually are involved in the Company’s affairs and adhere to ethical standards.

The Board bears the responsibility of organising and directing the affairs of the Company in a manner that is in the best interest of shareholders and other stakeholders. The Board retains full and effective control over the Company, delegating the day-to-day running and operational issues to the Chief Executive Officer and his management team. The Board of Directors is appointed by the shareholders on the basis of integrity, skill, acumen and experience to make sound judgements relevant to the business of the Company.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 2. Board of Directors (Continued)

#### 2.1 Composition of Board

The Board comprises the following members and does ensure a proper gender and residency mix as elaborated in note 4:

Dr. Soopramanien M. Cunden	Chairman & Non-executive
Mr. Natarajen M. Cunden	Executive
Ms. Analaxmi Cunden	Non-executive
Ms. Shrivana Cunden	Non-executive
Mr. Raouf Dusmohamud	Independent
Mr. Logonaden Pillay Thandrayen	Independent
Mr. Karunanidi Teeroovengadum Sornum	Independent
Mr. Yuvhen Modelly Cunden	Independent
Mr. P.A. Pather	Independent
Mr. J.M. Percy Rose	Executive

#### 2.2 Directors' Interest

The Directors' interests in the ordinary share capital of the Company as at 30 June 2019 are as follows:

	Ordinary share of Rs. 10 each	
	2019	%
Ms. Analaxmi Cunden	116,662	4.666
Mr. Natarajen Modeliar Cunden	126,662	5.066
Ms. Shrivana Cunden	116,562	4.656
Dr. Soopramanien Modeliar Cunden	116,477	4.659
Mr. Raouf Dusmohamud	728	0.029
Mr. P. A. Pather	728	0.029
Mr. Jean Marie Percy Rose	482	0.019
Mr. Karunanidi Teeroovengadum Sornum	400	0.016
Mr. Logonaden Pillay Thandrayen	100	0.004

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 3. Committees of the Board of Directors

In compliance with the principles of Good Governance, the Board of Directors has set up three Board Sub Committees, namely: Corporate Governance Committee, Audit Committee and Risk Committee.

#### 3.1 Corporate Governance Committee

The Corporate Governance Committee is composed of four non-executive independent Directors namely Mr. Logonaden Pillay Thandrayen (Chairman), Mr. Raouf Dusmohamud, Mr. Yuvhen M. Cunden and Miss Analaxmi Cunden.

Terms of reference of the Corporate Governance Committee include the following:

- ensuring that Professional Personnel and Human Resources Management policies are practised and implemented in the areas of recruitment and other staff related matters;
- ensuring that the Company follows a well-defined and properly structured remuneration policy; and
- ensuring that all the management decisions are appropriately recorded with due transparency for the benefit of stakeholders.

The Corporate Governance Committee is responsible for implementing the Code of Corporate Governance throughout the Company and ensuring that the reporting requirements on Corporate Governance are made in accordance with the principles enunciated in the Code.

#### 3.2 Audit Committee

The Audit Committee comprises Mr P. A. Pather, FCCA (Chairman), Dr. Soopramanien M. Cunden and Mr. Karunanidi T. Sornum. The technical aspect is reviewed by Mr. Jean Marie Percy Rose and external auditors attend the meeting when invited. The Audit Committee has adopted formal terms of reference and it confirms that it has discharged its responsibilities for the year, in compliance with its terms of reference. The Audit Committee oversees the management's financial stewardship of the Company and also the performance of the external audit functions.

The Audit Committee focuses on:

- ensuring that adequate controls and checks are installed in the Accounts Department;
- ensuring that there are well defined procedures and mechanisms for purchase of movable and immovable properties;
- ensuring that all the accounting returns for Financial Service Commission and other government agencies are correctly prepared and submitted on time;
- ensuring that there is a proper and adequate system in the areas of investment without any compromise on the security of the funds pertaining to General Insurance and Life Insurance Businesses; and
- taking cognizance of the auditors' report and actuaries' report before these are taken to the Board.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 3.2 Audit Committee (Continued)

#### Terms of Reference (Continued)

##### Financial Reporting

- Provide assurance that financial disclosures made by management reasonably portray the Company financial conditions, results of operations and long term commitments;
- Review critically the financial draft and interim reports and other financial documents;
- Consider the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements;
- Consider the validity of any changes in accounting treatment or disclosure by comparing with the previous year;
- Review critical accounting issues;
- Review significant estimates based on judgment which are included in the financial statements;
- Review adequacy of provisions including provision for credit impairment losses;
- Consider any difference of opinion between auditors and management on the level of provisions, on accounting treatment or on disclosure;
- Consider the quality of financial information disclosed to the shareholders and other stakeholders; and
- Review the financial reporting process that ensures the company's compliance with accounting standards and financial matters and the applicable laws and regulations.

##### External Audit

- Make recommendations for the appointment and retention of the external auditors;
- Review and discuss the scope of the audit and audit plan;
- Consider differences of opinion between management and the external auditors;
- Evaluate the performance, objectivity and independence of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors; and
- Obtain assurance from the auditors that adequate accounting records are maintained.

##### Internal Audit

- The Company has an adequate internal control system even though the role of an in-house internal auditor is being considered;
- Responsibilities and duties of officers are clearly defined, thus providing proper checks and balance of transactions carried out in the Company;
- The objectives and policies of the Company are properly communicated up and down the line in the Company; and
- The Audit Committee and the key management personnel regularly receive reports from various departments and review same.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 3.2 Audit Committee (Continued)

#### Terms of Reference (Continued)

##### Internal Control Systems

- Review the systems of internal controls to ascertain its adequacy and effectiveness;
- Review and discuss any previously identified material weaknesses in controls and deficiencies in the system;
- If considered necessary, recommend additional procedures to enhance the system of internal controls;
- Review external auditors' reports (management letter) and management's responses thereto and consider status of actions taken by management; and
- Identify any change necessary to the agreed audit scope or to other services as a result of any weaknesses or deficiencies revealed.

##### Whistleblowing

- To review the arrangements for employees to raise concerns in confidence and ensure that the arrangements allow proportionate and independent investigation of possible wrongdoing and appropriate follow-up action.

##### Evaluating performance

- To evaluate the Committee's own performance both of individual members and collectively, on a regular basis and provide for ongoing training needs;
- To assess the achievements of the responsibilities specified in the terms of reference and report the findings to the board;
- Independence of management; and
- Integrity.

##### Focus on the year ahead

- Continue to monitor the maturity of internal financial controls;
- Continue to monitor key financial accounting and reporting developments that are likely to impact on the Company;
- Continue to monitor the activities of external audit, compliance and financial crime control as they pertain to the regulatory and internal control environment of the Company;
- Continue to monitor regulatory developments, feedback from the Company's response to interaction with regulators;
- Review reports relating to financial crime, material incidents, mitigations strategies and remedial actions; and
- Review reports from management.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 3.3 Risk Committee

The Risk Committee has been set up on the 2nd March 2017, which comprises of Mr P. A. Pather, FCCA (Chairman), Dr Soopramanien M. Cunden, Mr Logonaden Pillay Thandrayen, Mr Natarajen N. Cunden and Mr Jean Marie Percy Rose.

The Risk Committee (the "Committee") is an emanation of the Board of Directors (the "Board") of the Indian Ocean General Assurance Ltd and has been established by the Board with the aim to comply with the Code of Corporate Governance and the Insurance (Risk Management) Rules 2016. The Committee assists the Board in discharging its duties relating to the establishment and maintenance of the Risk Management Framework in accordance to the Insurance (Risk Management) Rules 2016. Such duties include:

- the establishment and approval of a Risk Management Framework;
- overseeing the implementation and subsequent maintenance of the Risk Management Framework;
- determining the risk culture of the Company and formulate the matter in a Risk Appetite Statement ("RAS");
- Ensure that the RAS is reviewed annually and is consistent with the Company's business plans and strategies;
- providing leadership and guidance to management to create the conditions conducive to achieving the desired risk culture;
- ensuring that persons responsible for risk management have the appropriate skills, knowledge, independence and authority; and
- defining roles and responsibilities of management in relation to risk management.

### 3.4 Meetings of Board and Committees

The Board and the Committees meet regularly as required by the rules and regulations approved by the Board. Directors' attendance at Board Meetings and Committees as at 30 June 2019:

	Board of Directors	Corporate Governance Committee	Audit Committee	Risk Management Committee
<b>No. of meetings held</b>	5	1	2	2
Dr. Soopramanien M. Cunden	1	Nil	Nil	Nil
Ms. Analaxmi Cunden	4	1	Nil	Nil
Mr. Natarajen M. Cunden	5	Nil	Nil	2
Ms. Shrivana Cunden	Nil	Nil	Nil	Nil
Mr. Raouf Dusmohamud	4	1	Nil	Nil
Mr. P. A. Pather	5	Nil	2	2
Mr. Karunanidi T Sornum	5	Nil	2	Nil
Mr. J.M Percy Rose	5	Nil	Nil	2
Mr. Yuvhen Modelly Cunden	5	1	Nil	Nil
Mr. L Pillay Thandrayen	5	1	Nil	2

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 4. Directors' Profiles

The profiles of the Directors are given below:

#### **Mr Raouf Dusmohamud - Non-Executive Director**

Mr Raouf Dusmohamud was appointed as a Director on the Board of IOGA Ltd in 2004. He is presently the Managing Director of Raouf Dusmohamud Co. Ltd, which is the official representative and dealer of the following makes of cars, viz: Proton, Perodua. In addition, he is the owner of Garage Raouf and Brabant Pieces Auto. He is a citizen and resident of Mauritius.

#### **Mr Logonaden Pillay Thandrayen - also known as Raj Pillay - Non-Executive Director Chairman of Corporate Governance Committee**

Mr Raj Pillay joined the Board in 2004. He is presently the Managing Director of Thandrayen Pillay Refrigeration Centre Ltd and Jensen Trading Co. Ltd. He is also a Director of Ningbo Komans Refrigerant (Ningbo China). He has won the Peak of Success, Biz 2014 Award (Hawaii, USA ), Inspirational Company Award by World Confederation of Business (Honston USA), Paris Star Quality Award Platinum Category in 2012, London Golden Crown Award QC100 in 2005 and Sablier D'Or Dan Foss Denmark in 1999. He is a citizen and resident of Mauritius.

#### **Mr Karunanidi Teeroovengadum Sornum - Non-Executive Director**

Mr Sornum was appointed as a Director in 2002 and as a member of the Audit Committee in 2007. He is working as accountant in the logistic sector. He is a member of the Association of Chartered Certified Accountants. He is also an affiliate member of the Chartered Institute of Logistics and Transport. He is a citizen and resident of Mauritius.

#### **Miss Analaxmi Cunden - Non-Executive Director**

Miss Analaxmi Cunden was appointed as a Director in 2002. She is working as Corporate Secretary for Aviva Group Luxembourg. She has also exposure in General Banking, Accounting, Company Secretarial Practice and Human Resources Management. She is a citizen and non-resident of Mauritius.

#### **Mr Natarajen M. Cunden - Chief Executive Officer, Executive Director**

Mr Natarajen M. Cunden was appointed as Director in 2002 and enjoys a rich experience of 12 years in the Banking Sector. Prior to joining IOGA Ltd, he was Deputy CEO of the former Indian Ocean International Bank Ltd. He is a Fellow of the Chartered Management Institute of UK and has completed his master's degree in management from the University of Mauritius. He is a citizen and resident of Mauritius.

#### **Miss Shrivana Cunden - Non-Executive Director**

Miss Shrivana Cunden was appointed as Director in 2002 and she acted as the Managing Director of the Company for the period 1998 to February 2006. She is a holder of MBA from Birmingham University (UK) and currently working in a leasing company, Toronto, Canada. She is a citizen and non-resident of Mauritius.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 4. Directors Profiles (Continued)

#### **Dr Soopramanien M. Cunden - Non-Executive Director**

Dr Soopramanien M. Cunden joined the Board in 2008 and was appointed Chairman in 2011. He studied in France and the United Kingdom. He has been a director of various companies for many years and is practising in the private sector. He is a citizen and resident of Mauritius.

#### **Mr Yuvhen Modelly Cunden - Independent Director**

Mr Yuvhen Modelly Cunden was appointed as independent Director on 11th June 2010. He is currently employed with SBI (Mauritius) Ltd as IT Supervisor. He holds a Diploma in Information Technology through AEA (Ncc). He is a citizen and resident of Mauritius.

#### **Mr Poobalasoondaram Arnasala Pather - Independent Director**

Mr P.A Pather has been appointed as independent director on 29th December 2011. He is a Fellow of the Chartered Association of Certified Accountants (FCCA). He has long experience in accounting and financial services. He is currently the managing partner of Palsam Associates, Chartered Certified Accountants. He is a citizen and resident of Mauritius.

#### **Mr Jean Marie Percy Rose - General Manager, Executive Director**

Mr J. M. Percy Rose joined the Company as independent Director in June 2011. Career-wise, he has a long outstanding managerial and technical experience in the insurance sector since 1967. Mr J. M Percy Rose is an Associate of the Chartered Insurance Institute (UK) since 1979 and a Chartered Insurer in 1997. He is a citizen and resident of Mauritius.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 5. Statement of Remuneration Philosophy

The remuneration of Directors and Senior Executives of the company is reviewed annually as per the term of reference of the Nomination and Remuneration sub-committee presided by Mr Logonaden Pillay Thandrayen. The remuneration philosophy is based on performance and is transparent.

The directors' fees paid to each Director are as follows:

Directors	Rs
Dr. Soopramanien M. Cunden	68,000
Ms. Analaxmi Cunden	28,000
Mr. Natarajen M. Cunden	35,000
Ms. Shrivana Cunden	Nil
Mr. Raouf Dasmohamud	28,000
Mr. Logonaden Pillay Thandrayen	279,500
Mr. P. A. Pather	36,500
Mr. Karunanidi T Sornum	35,000
Mr. J.M Percy Rose	35,000
Mr. Yuvhen Modelly Cunden	35,000

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 6. Shareholdings

#### 6.1 Analysis of shareholders as at 30 June 2019

Size of Shareholding	No of shares owned	% of total issued shares
1-500	29,289	1%
501-1,000	30,041	1%
1,001-5,000	148,078	6%
More than 5,000	2,292,592	92%
Total	2,500,000	100%

#### 6.2 Shareholders category as at 30 June 2019

Shareholder Category	No of shareholders	No of shares	%
Individuals	213	1,331,294	53%
Corporate bodies	24	1,141,918	46%
Others	18	26,788	1%
Total	255	2,500,000	100%

#### 6.3 Shareholders holding of more than 5% of the share capital as at 30 June 2019 were:

Shareholders	No of shares	%
Promunit Limited	848,219	33.9%
Sam Cunden (Mauritius) Ltd	146,072	5.8%
Succession Sam Cunden	294,412	11.8%
Miss Dhanaletchunee Arnasala Pather	136,411	5.45%
Natarajen M. Cunden	126,662	5.06%

#### 6.4 Shareholder's agreement

The directors are not aware of any shareholder's agreement.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 7. Profile of Senior Management Team

#### **Mr Natarajen M. Cunden**

Mr Natarajen M. Cunden, Chief Executive Officer has extensive experience in the management sector. He is a Fellow of the Chartered Institute of Management, UK and holds a master's degree in management from the University of Mauritius.

#### **Mr Jean Marie Percy Rose (appointed in May 2016)**

Mr J. M. Percy Rose joined the Company as independent Director in June 2011. Career-wise, he has a long outstanding managerial and technical experience in the insurance sector since 1967. Mr J. M Percy Rose is an Associate of the Chartered Insurance Institute (UK) since 1979 and a Chartered Insurer in 1997.

#### **Mr Amrit Hurree (appointed in July 2016)**

Mr Amrit Hurree is a Public Accountant registered with Mauritius Institute of Professional Accountants bearing registration number MRN 186/292.

He is a Fellow of the Association of Chartered Certified Accountants (UK). He worked in the insurance industry for more than 25 years in various insurance companies. He is now a Sole Partner in Practice based in Mauritius and Australia. He joined the Company as a part time consultant since July 2016.

#### **Mr Krishna Arnasala Pather (appointed in January 2017)**

Mr Krishna Arnasala Pather holds a Bachelor of Business Science in Actuarial Science , University of Cape Town, South Africa .He has more than 15 years experience in financial services sector including insurance ,investment management, banking and leasing. He was appointed Risk Officer as from 17 January 2017.

#### **Mr Hambyrajen Narsinghen LLB(Hons), LLM, PhD(reg) (appointed in June 2018)**

Mr Hambyrajen Narsinghen completed his PhD Reg at University of Bordeaux and was appointed as consultant for compliance matters starting June 2018.

As the compliance and regulatory consultant of IOGA, he oversees all the major departments including the work of the board of directors to ensure compliance with insurance and company laws, principles of good governance, money laundering and ethics issues with close collaboration with the money laundering reporting officer of the Company.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 8. Corporate Social Responsibility

#### 8.1 Sustainability reporting

The Company recognizes that it operates within a social and economic community and as such is committed when taking decisions and carrying out its activities, to take into account not only its economic viability but also the environmental consequences and social implications. The Company recognizes its key role on job and wealth creation in the Mauritian society. Reporting sustainability is generally understood to be the way for a Company to strike a right balance between economic, environmental and social integration, often through commitment and activities that extend beyond the foundation of compliance with legislation.

#### 8.2 Within the Company

The Company adopts harmonious industrial relations in order to achieve its objectives and mission in the interest of both the Company and its employees. There is a two-way communication within the Company.

#### 8.3 Within the Society

The Company is fully conscious of its role as a social partner in the community. During the year under review, the Company has actively participated in various social activities and has sponsored several events.

#### 8.4 Environment, health and safety

Environmental implications are considered before operational and strategic decisions are taken. The Company is committed to bring about a health and safety culture within the Company and also maintains a conducive working environment for the general well-being of the employees and its customers.

### 9. Internal Audit

The Board of Directors has considered the role of an internal auditor in the Company. A part time internal auditor has been appointed in the Company to assess the system of Internal Control.

Responsibilities and duties of the officers are clearly defined and regulated. This ensure proper checks and authorisation over the transactions carried out in the Company.

The objectives and policies of the Company are properly communicated up and down the line in the Company.

The Audit Committee and the key management personnel regularly receive reports from various departments and review same.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 10. Risk Management and Internal Control System

The Board of Directors is responsible for risk management and for the Company's systems of internal control. The Company's policy on risk management encompasses all significant business risks including physical, operational, business continuity, financial compliance and reputational which could influence the achievement of the Company's objectives. The recent Risk Management Rules 2016 have provided new guidelines in the domain. In view of properly discharging its responsibilities, the Board has set up a Risk Committee and appointed a Risk Officer. Since the beginning of 2017, the Board has supervised the implementation of a new risk management framework which lays down the following risk management mechanism:

- A system for the ongoing identification and assessment of risk;
- Development of strategies in respect of risks and definition of acceptable and non-acceptable levels of risk;
- Reviewing the effectiveness of the system of internal control;
- Preparation and maintenance of the Risk Appetite Statement;
- Implementation of the ORSA framework; and
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board.

The objective of risk management is not to eliminate risk altogether, but to reduce it to an acceptable level having regard to the objectives of the Company.

While the Board is responsible for the overall risk management and internal control systems, oversight of the Company's risk management process, with the exception of the legal risk, is delegated to the Audit and Technical Committee.

The following main risk areas have been identified for the Company:

#### 10.1 Insurance Risks

The main activity of the Company is the acceptance of risk under an insurance contract where, in return for a consideration (the premium), a policyholder is compensated for pecuniary loss suffered as a result of a specified uncertain future event, or of a uncertain future event where the timing of the occurrence is uncertain. The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. Risks are mainly associated with the Company's underwriting, reinsurance and claims handling activities.

#### 10.2 Underwriting and Pricing Risk

The Company's underwriting strategy attempts to ensure that the underwritten risks are acceptable, well priced and diversified in type. Statistics captured and analysed by computer software are extensively used to assess and review risks and the Company reserves the right not to renew policies and/or to impose deductibles.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 10. Risk Management and Internal Control System (Continued)

#### 10.3 Reinsurance Risk

The Company determines the extent of risks retainable and transfers risks in excess of its capacity to top rated reinsurers. Thus, through effective proportional, excess of loss and facultative reinsurance covers, the maximum loss for a given risk that the Company may suffer in any one year is predetermined.

Reinsurance risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons like unfavourable market conditions. Default risk by a reinsurer also affects the ceding insurance company in an adverse manner as it may affect their profitability.

Insurers transfer a part of their portfolio to a reinsurer in exchange for a premium. However, the unavailability of reinsurance at the right time and cost has ramifications for the ceding company. A default on the part of the reinsurer can lead to adverse impacts on the profitability and solvency of the ceding insurer. It may also lead to an adverse effect on the underwriting abilities of the insurer as the default by the reinsurer will augment the risk of the insurer. The ceding company has the onus of meeting the insured's claims in the event of a default by the reinsurer.

The Company manage its reinsurance program by a professional reinsurance broker J. B. Boda Reinsurance Brokers Private Limited who ensures that risks are only ceded to top-rated and credit worthy reinsurers.

#### 10.4 Claims Management Risk

Claims handling are closely monitored so as to ensure that the loss reported is covered and properly assessed. The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, inflation forecast and settlement of claims.

#### 10.5 Financial Risks

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts. Financial risk is considered to be very low.

#### 10.6 Debtors' Credit Risk

The Company's credit is primarily attributable to debtors including agents for insurance premium payable to the Company. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. The Company structures the levels of its credit risk it accepts by placing limits on its exposure to a single counter party. Such risks are subjected to frequent review.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 10. Risk Management and Internal Control System (Continued)

#### 10.7 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet short-term debts. Liquidity risk is considered to be very low.

#### 10.8 Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Audit and Technical Committee set up by management ensures that investments are sufficiently diversified in order to match assets and liabilities and liquidity requirements.

#### 10.9 Operational Risks

Operational risks are risks of loss or opportunity gain foregone resulting from inadequate or failed internal processes, people and systems or from external events. These losses may be caused by one or more of the following:

##### ***Human Resources Risk***

The personnel responsible for managing and controlling different sectors of the Company or a business process do not possess the requisite knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risks are reduced to an acceptable level.

##### ***Compliance Risk***

Compliance risk, also referred to as non-conformance risk, results in lower quality, higher costs, lost revenues and unnecessary delays. Non-conformance also gives rise to service failure risk because if not detected and corrected before a service is delivered to the customer, a product or performance failure could result. A Compliance Officer has been appointed to monitor these issues.

##### ***Health and Safety Risk***

Health and safety risks are significant if not controlled because they can expose the Company to substantial liability in respect of workers' compensation. Non-compliance with Health and Safety Legislation may result in heavy fines. The Health and Safety Committee ensures that these risks are minimised through control, follow-up and communication procedures. The Human Resources Department ensures compliance with labour laws.

### 11. Miscellaneous

#### 11.1 Auditors

The audit fees accrued to the auditors, Moore, amount to Rs 350,000 (2018: Rs 350,000).

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 11.2 Code of Ethics and Conduct

The Company is committed to ethical practices in its day-to-day operations and is governed by the Industry Code of Ethics.

### 11.3 Dividend policy

The Company did not declare any dividend during the year under review (2018: NIL).

### 11.4 Donations and Sponsorship

The Company did not make any donation during the year (2018: Rs 17,000).

### 11.5 Related party transactions

The details in respect of related party transactions have been disclosed in Note 30 of the financial statements.

### 11.6 Organisation Structure and Human Resource Development

The fact that the Company want to become one of the leading insurance company brand in the industry in Mauritius, makes it highly necessary for the organisation to deliberately build a well-structured business.

The Company currently has a medium aged staff profile with most members having over ten years' work experience in the insurance industry. The staffs have a mix of administrative and technical profiles. Company also ensure a proper mix in gender equality among its staff members.

The Company will soon set up a dedicated business development function that will be composed of marketing personnel, relationship officers and sales officers. The new team will coordinate business development initiatives and strive to develop sound relationships with direct clients.

Training of staff is an ongoing process and the Company participate in the upskilling courses of the Insurance Institute of Mauritius.

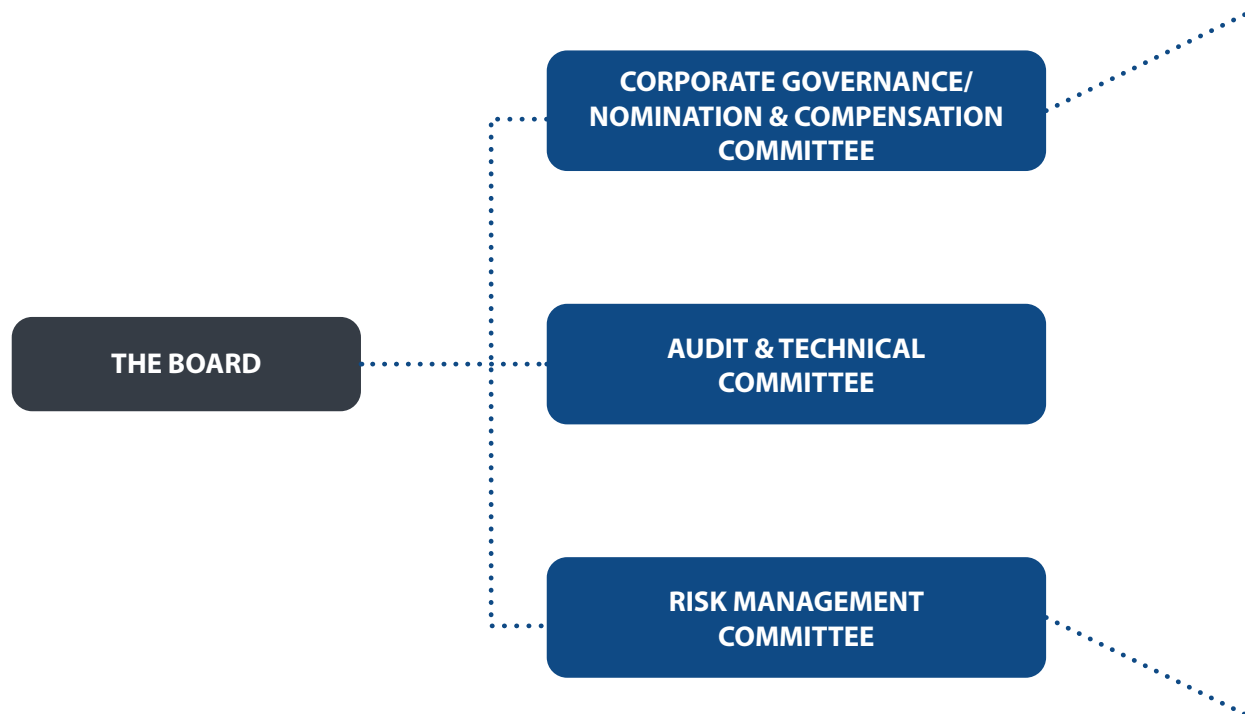
In addition to its staff, the Company uses the services of numerous external consultants, located both locally and abroad.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 11.6 Organisation Structure and Human Resource Development (Continued)

#### Organigram of the Company



#### 11.7 Website

The Company website at <https://www.ioga.mu> is always kept up to date and concise and is in line with the corporate governance principle.



# INDIAN OCEAN GENERAL ASSURANCE LTD

## CORPORATE GOVERNANCE REPORT

### 12. Statement of Directors' responsibilities in respect of the financial statements

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs and of the profit or loss of the Company. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards (IFRS) have been followed, subject to any material departures disclosed and explained in the financial statements and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records and an effective system of internal control and risk management are maintained. This helps to disclose with reasonable certainty and accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

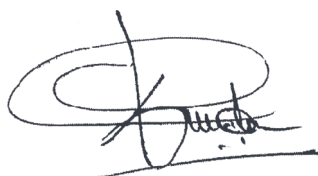
The Directors are also responsible to institute proper systems and procedures to comply with the Financial Intelligence and Anti-Money Laundering Act 2002 (FIAML Act) and the Code on the Prevention of Money Laundering and Terrorist Financing intended for Insurance Entities (the PMLTF code). Management has taken actions to implement proper systems, procedures and controls to comply with the FIAML Act and the PMLTF code. The Directors confirm that they complied with these requirements in preparing the financial statements. The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

### 13. Acknowledgement

The Board of Directors wishes to thank all stakeholders for their continued cooperation and support. The Board also expresses its appreciation for the valued support, continued trust, and loyalty of its management, staff and customers without whom the objectives of the Board would not have been attained.



**Director**



**Chief Executive Officer**

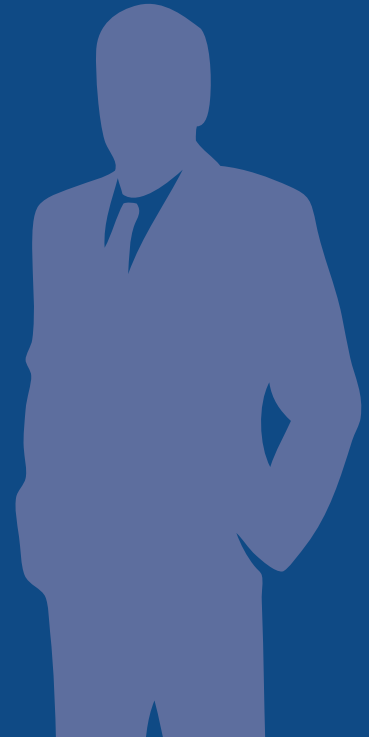


**Director**

**Date:** 30th September 2019



**Ioga**  
INDIAN  
OCEAN GENERAL  
ASSURANCE LTD



## CERTIFICATE OF THE SECRETARY

I certify, to the best of my knowledge and belief, that the Company has filed with the Registrar of Companies all such returns as are required of INDIAN OCEAN GENERAL ASSURANCE LTD under Section 166(d) of the Companies Act 2001, during the year ended 30 June 2019.

**Secretary**  
**Vijay Kumar Dwarka**

Date: 30th September 2018

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
INDIAN OCEAN GENERAL ASSURANCE LTD**

**Report on the Audit of the financial statements**

***Opinion***

We have audited the financial statements of **Indian Ocean General Assurance Ltd** (the "Company") set out on pages 29 to 80 which comprise the statement of financial position as at 30 June 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements give a true and fair view of the financial position of **Indian Ocean General Assurance Ltd** (the "Company") at 30 June 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, Financial Reporting Act 2004 and the Insurance Act 2005.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

*A member firm of  
Moore Stephens  
International Limited  
- members in principal  
Cities throughout  
The world.*

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
INDIAN OCEAN GENERAL ASSURANCE LTD**

**Report on the Audit of the financial statements (Continued)**

***Key Audit Matters (Continued)***

***Valuation of insurance contract liabilities -short term***

***How the matter was addressed in the audit***

We assessed and tested the design and operating effectiveness of selected key controls over the claims estimation process including IBNR. In particular, we tested the controls over the integrity of data and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves.

In relation to the particular matters set out above, our substantive testing procedures included the following:

- We reviewed the documentation around outstanding claims which are high in value and involving longer settlement periods and tested management best estimates of the settlement outcome for reasonableness.
- We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating general insurance loss reserves. This includes the testing of information sent to the actuary for the determination of IBNR.
- We determined that the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, industry practice and the financial and regulatory requirements.
- We evaluated the reasonableness of the methodology and assumptions against actuarial practices and industry standards.
- We assessed the integrity of the actuary by ensuring that the actuary has the relevant expertise and experience in this field.

***Valuation of Insurance Contract Liabilities –long term insurance***

Actuarial assumptions and methodologies involve judgements about future events, both internal and external to the Company, for which small changes can result in a material impact to the valuation of insurance contract liabilities. Additionally, the valuation of insurance contract liabilities is dependent on the quality, integrity and accuracy of the data used in the valuations.

We have therefore identified the following areas of focus in relation to the valuation of insurance contract liabilities:

- Appropriateness of actuarial assumptions, models and methodology; and
- Data processes and controls relevant to the actuarial valuation.

**Appropriateness of actuarial assumptions, models and methodology:**

Actuarial assumptions and methodologies reflected in policyholder liabilities are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the company approved policy.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
INDIAN OCEAN GENERAL ASSURANCE LTD**

**Report on the Audit of the financial statements (Continued)**

***Key Audit Matters (Continued)***

***Valuation of Insurance Contract Liabilities –long term insurance (Continued)***

The assumptions that we consider to have the most significant impact on the actuarial valuations are:

- Mortality, longevity, disability and morbidity;
- Expenses;
- Risk discount rates; and

The integrity and appropriateness of models and methodology are also considered to be critical in the overall valuation of insurance contract liabilities.

***How the matter was addressed in the audit***

Appropriateness of actuarial assumptions, models and methodology:

Our audit of these assumptions, models and methodology applied in the valuation of insurance liabilities, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas considered material:

- We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy.
- We assessed the design and operating effectiveness of the key controls of the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes;
- We focused our analysis on management's key assumptions around mortality, longevity, disability, morbidity and expenses and assessed the results of management's experience analyses;
- We confirmed, on a sample basis, that model and methodology changes have been appropriately implemented;
- We evaluated the assumptions and methodology against expectations based on our knowledge of the Company, industry practice, and regulatory and reporting requirements. This included an independent evaluation through enquiries with the external actuary and review by our internal experts;
- We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements;
- We considered the level of margins held, management's justification for holding these margins and how these will be released in future.

***Data processes and controls relevant to the actuarial valuation:***

Data is a key input into the valuation process: the calculation of insurance contract liabilities has a number of inputs, which are reliant on various processes and systems for accurate and complete data. A breakdown of these processes and systems could result in a misstatement of the value of insurance contracts.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
INDIAN OCEAN GENERAL ASSURANCE LTD**

**Report on the Audit of the financial statements (Continued)**

***Key Audit Matters (Continued)***

***Valuation of Insurance Contract Liabilities –long term insurance (Continued)***

***How the matter was addressed in the audit***

In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we, inter alia, performed the following audit procedures:

- We assessed the design and operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the IT environment over the policy administration systems, together with the data extraction and conversion processes;
- We performed an evaluation of the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy administration systems and the data sent to the external actuary the actuarial valuation; and
- We obtained the data pack from the external actuary and cross verified with the data which management has sent to the actuary for the valuation.

***Other Information***

The directors are responsible for the other information. The other information comprises the chairman's review, chief executive officer's review, Corporate Governance Report and certificate from the company secretary, or any other information. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Directors' responsibility for the financial statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004, and the Insurance Act 2005 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
INDIAN OCEAN GENERAL ASSURANCE LTD**

**Report on the Audit of the financial statements (Continued)**

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
INDIAN OCEAN GENERAL ASSURANCE LTD**

**Report on the audit of the financial statements (Continued)**

**Other matter**

This report is made solely to the Company's members, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, for our audit work, for this report, or for the opinions we have formed.

**Report on other legal and regulatory requirements**

*Mauritius Companies Act 2001*

We have no relationship with or interests in the Company other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

*Insurance Act 2005*

The financial Statements have been prepared in the manner and meet the requirements specified in the FSC Rules and Guidelines of the Financial Services Commission.

*The Financial Reporting Act 2004*

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code. In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

  
**MOORE STEPHENS**  
Chartered Accountants

  
**Arvin Rogbeer, FCA, FCCA**  
Licensed by FRC

PORT LOUIS  
REPUBLIC OF MAURITIUS

DATE: ..3.0..SEP..2019....

**GROW BIGGER  
GROW HIGHER**



# INDIAN OCEAN GENERAL ASSURANCE LTD

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Notes	Life 2019 Rs	General 2019 Rs	Total 2019 Rs	Life 2018 Rs	General 2018 Rs	Total 2018 Rs
<b>ASSETS</b>						
<b>NON CURRENT ASSETS</b>						
Property, Plant & Equipment	6	2	41,912,062	2	34,652,512	34,652,514
Intangible assets	7	1	32,839	1	1,043,313	1,043,314
Statutory deposits	9	8,568,750	10,000,000	8,568,750	10,000,000	18,568,750
Available-for-sale financial assets	8	26,856,898	44,733,651	27,943,753	45,734,241	73,677,994
Deposits	11	-	68,948,450	6,000,000	77,420,224	83,420,224
Investment property	10	1,100,000	-	1,100,000	-	1,100,000
Loans and receivables	12	-	916,992	-	284,873	284,873
		<b>36,525,651</b>	<b>166,543,994</b>	<b>43,612,506</b>	<b>169,135,163</b>	<b>212,747,669</b>
<b>CURRENT ASSETS</b>						
Loan and Receivable	12	646,560	-	646,559	261,713	908,272
Receivable and prepayments	13	3,514,555	27,224,459	2,444,600	21,138,755	23,583,355
Amount due by re-insurers	14	-	4,383,433	-	449,652	449,652
Excess of tax Paid		-	-	37,206	-	37,206
Reinsurance contracts	25	-	13,662,534	-	27,481,897	27,481,897
Deposits	11	6,000,000	15,000,000	7,747,398	52,187,980	59,935,378
Cash and cash equivalents	21	8,248,432	85,761,614	2,996,943	46,392,830	49,389,773
		<b>18,409,547</b>	<b>146,032,040</b>	<b>13,872,706</b>	<b>147,912,827</b>	<b>161,785,533</b>
<b>TOTAL ASSETS</b>		<b>54,935,198</b>	<b>312,576,034</b>	<b>57,485,212</b>	<b>317,047,990</b>	<b>374,533,202</b>
<b>EQUITY AND LIABILITIES</b>						
<b>CAPITAL AND RESERVES</b>						
Stated capital	15	-	25,000,000	-	25,000,000	25,000,000
Revaluation reserve	16	18,895,561	47,017,144	20,947,353	41,010,443	61,957,796
Retained earnings		-	124,827,162	-	119,955,312	119,955,312
		<b>18,895,561</b>	<b>196,844,306</b>	<b>20,947,353</b>	<b>185,965,755</b>	<b>206,913,108</b>
<b>TECHNICAL PROVISIONS</b>						
Unearned premium reserves	17	-	29,408,792	-	26,256,624	26,256,624
Premium Deficiency Reserve	33	-	6,000,000	-	4,000,000	4,000,000
Life assurance fund	18	34,907,172	-	35,424,113	-	35,424,113
		<b>34,907,172</b>	<b>35,408,792</b>	<b>35,424,113</b>	<b>30,256,624</b>	<b>65,680,737</b>
<b>NON CURRENT LIABILITIES</b>						
Deferred tax liability	29	-	434,439	181,003	323,320	504,323
Retirement benefit obligation	19	-	4,068,548	-	3,884,744	3,884,744
		-	<b>4,502,987</b>	<b>181,003</b>	<b>4,208,064</b>	<b>4,389,067</b>
<b>CURRENT LIABILITIES</b>						
Current tax liabilities	27	53,976	536,454	7,945	-	7,945
Amount due to re-insurers	26	12,828	662,500	12,276	619,039	631,315
Payables	20	1,065,661	2,375,963	912,522	7,871,745	8,784,267
Outstanding claims	25	-	72,245,032	-	88,126,763	88,126,763
		<b>1,132,465</b>	<b>75,819,949</b>	<b>932,743</b>	<b>96,617,547</b>	<b>97,550,290</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54,935,198</b>	<b>312,576,034</b>	<b>57,485,212</b>	<b>317,047,990</b>	<b>374,533,202</b>

Approved by the Board of Directors on .....30th September 2019.....and signed on its behalf by:

Director



Director



The notes on pages 33 to 84 form an integral part of these financial statements

# INDIAN OCEAN GENERAL ASSURANCE LTD

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
<b>GROSS PREMIUM</b>		<b>69,965,145</b>	60,843,008
Premium Ceded to reinsurers		(14,008,838)	(11,927,019)
<b>NET PREMIUM</b>		<b>55,956,307</b>	48,915,989
Transfer to general business fund	17	(3,152,168)	(70,630)
<b>NET EARNED PREMIUM</b>		<b>52,804,139</b>	48,845,359
Investment and Interest Income		9,848,564	8,102,399
Other income		2,182,125	6,480,297
		<b>12,030,689</b>	14,582,696
<b>NET INCURRED CLAIMS</b>		<b>(36,695,346)</b>	(46,479,539)
Commission received		1,890,398	2,149,274
Commission paid and payable		(5,595,937)	(5,242,648)
<b>NET COMMISSION</b>		<b>(3,705,539)</b>	(3,093,374)
Management expenses	22	(17,797,766)	(18,599,292)
Depreciation and amortisation		(2,714,098)	(1,333,756)
		<b>(60,912,749)</b>	(69,505,961)
<b>NET PROFIT/(LOSS) BEFORE TAX FOR THE YEAR</b>		<b>(3,922,079)</b>	(6,077,906)
Less corporation tax		(619,691)	(20,320)
Add deferred tax	28	69,884	607,571
Less CSR	28	-	(6,615)
<b>PROFIT/(LOSS) AFTER TAX FOR THE YEAR</b>		<b>3,372,272</b>	5,497,270
Transfer to life fund and revaluation reserve		2,568,733	6,711,465
<b>LESS APPROPRIATIONS</b>			
Founder's share Commission		(754,567)	(817,333)
<b>PROFIT FOR THE YEAR</b>		<b>5,186,438</b>	396,862
<b>Other comprehensive income</b>			
<i>Items that can be reclassified back to Profit or Loss</i>			
Gain on foreign exchange		3,737,200	1,011,703
<i>Items that cannot be reclassified back to Profit or Loss</i>			
Loss on revaluation of AFS financial assets		(4,691,125)	(2,662,272)
Gain property revaluation		8,646,034	-
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS)</b>		<b>12,878,547</b>	(1,253,707)

The notes on pages 33 to 84 form an integral part of these financial statements

# INDIAN OCEAN GENERAL ASSURANCE LTD

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME GENERAL INSURANCE BUSINESS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rs	2018 Rs
<b>GROSS PREMIUM</b>		<b>68,356,233</b>	58,899,344
Premium ceded to reinsurers		(13,976,950)	(11,828,653)
<b>NET PREMIUM</b>		<b>54,379,283</b>	47,070,691
Transfer to general business fund	17	(3,152,168)	(70,630)
<b>NET EARNED PREMIUM</b>		<b>51,227,115</b>	47,000,061
Investment and interest income		7,551,152	7,164,439
Other income		2,180,525	5,808,930
		<u>9,731,677</u>	<u>12,973,369</u>
<b>NET INCURRED CLAIMS</b>	24	<b>(32,206,959)</b>	(37,101,261)
Commission Received		1,887,238	2,139,052
Commission Paid and Payable		(5,585,623)	(5,223,521)
<b>NET COMMISSION</b>		<b>(3,698,385)</b>	(3,084,469)
Management expenses		(16,845,860)	(17,847,320)
Depreciation and amortisation		(2,714,098)	(1,333,756)
		<u>(55,465,302)</u>	<u>(59,366,806)</u>
<b>NET PROFIT BEFORE TAX FOR THE YEAR</b>		<b>5,493,490</b>	606,624
Less corporation tax	28(iii)	(536,454)	-
(Less)/add deferred tax	28(iii)	(111,119)	607,571
<b>PROFIT AFTER TAX FOR THE YEAR</b>		<b>4,845,917</b>	1,214,195
<b>LESS APPROPRIATIONS</b>			
Founder's share Commission		(754,567)	(817,333)
<b>PROFIT FOR THE YEAR</b>		<b>4,091,350</b>	396,862
<b>Other comprehensive income</b> (Items that can be reclassified back to Profit or Loss)			
Gain on foreign exchange		2,780,496	1,011,703
Items that cannot be reclassified back to Profit or Loss			
Loss on revaluation of AFS financial assets		(2,639,333)	(2,662,272)
Gain on property revaluation		8,646,034	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>12,878,547</b>	(1,253,707)

The notes on pages 33 to 84 form an integral part of these financial statements

# INDIAN OCEAN GENERAL ASSURANCE LTD

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME LIFE ASSURANCE BUSINESS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		Rs	Rs
<b>GROSS PREMIUM</b>		<b>1,608,912</b>	1,943,664
Premium Ceded to reinsurers		(31,888)	(98,366)
<b>NET EARNED PREMIUM</b>		<b>1,577,024</b>	1,845,298
Investment and interest income		2,297,412	1,777,544
Other income		1,600	(168,217)
		<b>2,299,012</b>	1,609,327
<b>NET INCURRED CLAIMS</b>		<b>(4,488,387)</b>	(9,378,278)
Commission received		3,160	10,222
Commission paid and payable		(10,314)	(19,127)
<b>NET COMMISSION</b>		<b>(7,154)</b>	(8,905)
Management expenses		(951,906)	(751,972)
		<b>(5,447,447)</b>	(10,139,155)
<b>NET LOSS BEFORE TAX FOR THE YEAR</b>		<b>(1,571,411)</b>	(6,684,530)
Less corporation tax	28(i)	(83,237)	(1,330)
Add deferred tax	28(i)	181,003	(18,990)
Less CSR		-	(6,615)
<b>LOSS AFTER TAX FOR THE YEAR</b>		<b>(1,473,645)</b>	(6,711,465)
Transfer to life fund and revaluation reserves		2,568,733	6,711,465
<i>Other comprehensive income</i>			
Items that can be reclassified back to profit or loss			
Gain on foreign exchange		956,704	-
Items that cannot be reclassified back to profit or loss			
Loss on revaluation of AFS financial assets		(2,051,792)	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>-</b>	-

The notes on pages 33 to 84 form an integral part of these financial statements

# INDIAN OCEAN GENERAL ASSURANCE LTD

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

Note	2019	2018
	Rs	Rs
<b>Cash flows from operating activities</b>		
<b>Profit/(Loss) before taxation</b>	<b>(3,922,079)</b>	(6,077,906)
<b>Adjustments for:-</b>		
Depreciation / Amortisation	2,714,098	1,333,756
Investment income	(9,848,564)	(8,102,399)
Effect of foreign exchange rate changes	1,133,520	534,842
Founder's Share Commission	(754,567)	(817,333)
Release to general Fund	3,152,168	70,630
Provision retirement benefit obligations	183,804	779,606
<b>Operating profit/(loss) before working capital changes</b>	<b>(502,538)</b>	(12,278,804)
(Increase) / decrease in trade and other receivables	(6,182,722)	12,921,879
Increase in amount due by reinsurers	(3,933,781)	(17,048)
Decrease / (Increase) in reinsurance contract	13,819,363	(4,810,395)
Decrease in trade and other payables	(5,342,643)	(3,534,905)
Increase / (decrease) in amount due to reinsurers	44,013	(330,034)
(Decrease) / Increase in outstanding claims	(15,881,731)	12,493,718
(Cash absorbed into) / generated from operations	(16,974,963)	4,444,411
Income received	8,875,627	8,102,399
Taxation and corporate social responsibility paid	-	(86,815)
<b>Net cash flows from operating activities</b>	<b>(8,099,336)</b>	12,459,995
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(267,883)	(1,840,727)
Purchase of intangible asset	(49,258)	(1,043,312)
Net loans (granted) / received	(370,407)	189,964
Increase / (Decrease) in deposits	53,407,157	(19,187,980)
<b>Net cash flows from/(used in) investing activities</b>	<b>52,719,609</b>	(21,882,055)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>44,620,273</b>	(9,422,060)
<b>Movements in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the year	49,389,773	58,811,833
Cash and cash equivalents at the end of the year	94,010,046	49,389,773

21

The notes on pages 33 to 84 form an integral part of these financial statements

# INDIAN OCEAN GENERAL ASSURANCE LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	State Capital	Freehold Land & Building Revaluation Reserves	Investment Revaluation Reserve	Retained Earnings	Total
	Rs	Rs	Rs	Rs	Rs
At 1 July 2017	25,000,000	5,200,000	61,860,057	122,546,747	214,606,804
Profit for the year	-	-	-	396,682	396,862
Transfer to premium deficiency reserve	-	-	-	(4,000,000)	(4,000,000)
<b>Other comprehensive income</b>	-	-	-	-	-
Gain on foreign exchange	-	-	-	1,011,703	1,011,703
Decrease in fair value of AFS Investment	-	-	(5,102,261)	-	(5,102,261)
At 30 June 2018	25,000,000	5,200,000	56,757,796	119,955,312	206,913,108
Profit for the year	-	-	-	4,091,350	4,091,350
<b>Other comprehensive income</b>	-	-	-	-	-
Gain on foreign exchange	-	-	-	2,780,500	2,780,500
Transfer to premium deficiency reserve	-	-	-	(2,000,000)	(2,000,000)
Revaluation of property	-	8,646,034	-	-	8,646,034
Decrease in fair value of AFS Investment	-	-	(4,691,125)	-	(4,691,125)
At 30 June 2019	25,000,000	13,846,034	52,066,671	124,827,162	215,739,867

The notes on pages 33 to 84 form an integral part of these financial statements



# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. REPORTING ENTITY

The Indian Ocean General Assurance Ltd (the Company) is a Public Limited Company incorporated and domiciled in Mauritius under the Companies Act 2001 and is subject to the Insurance Act 2005. The Company was incorporated on 10th April 1970 and its head office is located at 12 Volcy Pougnet Street, Port Louis, Mauritius. The Company carries out short term and long term insurance businesses. It is licensed to write property, liability, transportation, guarantee, motor and travel accidents insurance. The Company does not underwrite any new long term businesses which is under run off basis.

These financial statements have been authorised for issue by the Board of Directors on September 30th 2019.

### 2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

#### Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and comply with the both the Mauritian Companies Act 2001 and the Mauritian Insurance Act 2005.

In the current year the Company comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and has applied all the new and revised Standards and Interpretations effective at the start of the reporting period, some either do not have an impact on the Company's reporting or is not applicable.

#### New standards and amendments to published standards effective for the year ended 30 June 2019

##### IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

*Applicable to annual reporting periods beginning on or after 1 January 2019.*

The Company does not have any lease agreement during the year.

##### Long-term Interest in Associates and Joint Ventures (Amendments to IAS 28)

Long-term Interest in Associates and Joint Ventures issued in October 2017, added paragraph 14 A and deleted paragraph 41. It clarifies that an entity applies IFRS 9 Financial Instruments to long-term interest in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

*Applicable to annual reporting periods beginning on or after 1 January 2019.*

The Company does not have any interest in associates and joint ventures.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

#### **Annual Improvements to IFRS Standards 2015–2017 Cycle**

Makes amendments to the following standards:

IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

*Annual periods beginning on or after 1 January 2019.*

#### **Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

*Annual periods beginning on or after 1 January 2019.*

#### **Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

Amendments to IFRS 9 Prepayment Features with Negative Compensation.

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

*Annual periods beginning on or after 1 January 2019.*

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

#### **IFRIC Uncertainty over Income Tax Treatments**

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: Whether tax treatments should be considered collectively;

Assumptions for taxation authorities' examinations;

The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

The effect of changes in facts and circumstances.

*Applicable to annual reporting periods beginning on or after 1 January 2019.*

#### **Accounting standards issued but not yet effective at 30 June 2019**

As at date of the financial report, there are a number of new and revised accounting standards published for which the mandatory application dates fall after the end of this current reporting year, none of these standards have been early adopted:

#### **IFRS 17 Insurance contracts**

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

*Applicable to annual reporting periods beginning on or after 1 January 2021.*

#### **Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

*Applicable to annual periods beginning on or after 1 January 2020.*

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements have been prepared on historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values at end of each reporting period, as explained in the accounting policies below.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements.

#### **Functional and presentation currency**

The financial statements are presented in Mauritian Rupee (Rs) which is the Company's functional and presentation currency and represents the currency of the primary economic environment in which the entity operates.

#### **Revenue recognition**

Revenue represents earned premiums receivable net of reinsurance. Premium revenue comprises amounts charged to policyholders for insurance contracts. Premium is recognised as earned from the date of attachment of risk. The unearned portion of premium is recognised as an unearned premium liability on the statement of financial position.

Other revenues earned by the Company are recognised on the following bases:

Interest income: on time proportion basis taking into account the effective yield on the investments.

Dividend income: when the shareholder's right to receive payment is established.

Reinsurance commission receivable: as it accrues in accordance with the relevant treaty agreements.

#### **Property, plant and equipment**

All property, plant and equipment are initially recorded at cost or revalued amounts less accumulated depreciation. Cost includes any costs directly attributable to bringing the asset to working condition for its intended use.

Revaluation surpluses or deficits are dealt with in the revaluation reserves except for movements below the depreciated cost which are dealt with in the Statement of Comprehensive Income.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Level of fair value hierarchy

Freehold Land and Building are unobservable inputs as per IFRS 13.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data, taking into account all information about market participants assumptions that is reasonably available.

Each year the difference between depreciation based on revalued amount of the assets (the depreciation charged to Statement of Comprehensive Income) and depreciation based on asset's original cost is transferred from revaluation reserve to Statement of Comprehensive income.

#### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day to day servicing of property plant and equipment are recognised in the Statement of Comprehensive Income as incurred.

Depreciation is calculated to write off the cost or revalued amount of the assets on a straight line basis over the expected useful lives at the following rates per annum:

Freehold Building	2%
Office equipment	20%-33 1/3 %
Motor vehicles	20%
Furniture and fittings	20%

Freehold land is not depreciated.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax.

#### Investment Property

Investment Property is held to earn rentals and/or for capital appreciation and is measured initially at cost, including transaction costs. Gains and losses arising from changes in the fair value of investment property will be reclassified to profit or loss in the period when specific conditions are met.

Investment Property represents land acquired from defaulted secured mortgage loans. The loans have been written off and the value of the assets is recognised at cost. No valuation has yet been carried out.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Intangible assets**

Intangible assets which comprises computer software and developments cost are initially recorded at cost and amortised using the straight-line method over its expected useful life.

#### **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### **Financial instruments**

The Company classifies its financial instruments into the following categories based on the purpose for which the asset was acquired or liability incurred. All transactions are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

##### **- Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They result from delivery of cash or services provided by the Company to a borrower or customer with no intention of trading the receivables. They are included in current assets when maturity date is within twelve months or non-current for maturity date greater than twelve months of the reporting date. They are stated at cost less any provision for amount irrecoverable and doubtful debts.

##### **- Available-for-sale (AFS) financial assets**

Non-derivative financial assets that are not classified in any other category are classified as available-for sale and comprise investments in equity instruments including investments in public foreign companies. These instruments are initially recognised at fair value plus transaction cost that are directly attributable to their acquisition. Subsequently they are carried out at fair value based on their quoted market price in an active market. When they do not have a quoted market price in an active market and fair value is not reliably determinable, they are valued at net asset value.

Changes in fair value are recognised as a separate component of other comprehensive income and accumulated in equity under investment revaluation reserve. Where the investments are disposed or impaired the cumulative gain or loss previously recognised in Changes in fair value are recognised as a separate component of other comprehensive income and accumulated in equity under investment revaluation reserve. Where the investments are disposed or impaired the cumulative gain or loss previously recognised in the revaluation reserve is transferred to the statement of comprehensive income for the year. Foreign exchange gains or losses arising on AFS are recognised in profit and loss account.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### - Available-for-sale (AFS) financial assets (Continued)

AFS denominated in foreign currency are translated at buying exchange rate at reporting date and changes in fair value related to translation difference is recognised in profit or loss while other changes are recognised to equity under investment revaluation reserve.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

##### - Long term receivables

Long term receivables with fixed maturity terms are measured at amortised cost using the effective interest rate method, less provision for impairment. The carrying amount of the assets is reduced by the difference between the asset's carrying amount and the present value of estimated cash flows discounted using the effective interest rate. The amount of loss if arise is recognised in the statement of profit and loss and other comprehensive income or the Life Assurance Fund. Long term receivables without fixed maturity terms are measured at cost. If there is objective evidence that an impairment loss has incurred, the amount of the impairment is measured as the difference between the carrying amount of the assets and the present value of estimated cash flows discounted at the current rate of return for similar financial assets.

##### - Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on part of policyholders, or default by agencies) that the Company will be unable to collect all the amounts due under the terms receivable. Provision for amounts due from policyholders and reinsurers, which are reported net, are recorded in a separate allowance/provision account with the loss being recognised in net income. On confirmation that the amounts receivable will not be collectable the gross carrying value of the assets is written off against the associated provision.

##### - Deposits

Deposits are term deposits placed with banks and other financial institutions and are measured at amortised cost.

##### - Cash and cash equivalents

These comprise cash at banks and in hand and short term deposits with a maturity of three months or less as well as bank overdraft which is repayable on demand and form an integral part of the Company's cash management.  
Trade and other payables

Trade payables and other payables are stated at amortised cost.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Insurance contracts**

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all right and obligations are extinguished or expired. Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder. Some insurance contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to a guarantee benefit, additional benefits or bonuses.

Insurance Contracts issued by the Company are classified within the following main categories:

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

***Insurance contracts issued by the Company are categorized as follows:***

#### **- Short-term insurance contracts**

Short term insurance contracts are mainly in respect of motor business but the Company also sells fire and allied perils, marine, engineering and other miscellaneous insurance contracts. These contracts protect the Company's customers from damage suffered to property or goods, value of property and equipment lost, losses and expenses incurred sickness and loss of earnings resulting from the occurrence of the insured events.

General insurance contracts permit the Company to sell property acquired in settling a claim (i.e. salvage). The Company has the right to sue third parties for the payment of some or all the cost incurred (i.e. subrogation). Estimate of salvage recoveries is included as allowance in the measurement of the insurance liabilities for claim and salvage property is recognized in other assets when the liability is settled.

#### **- Long-term insurance contracts with fixed and guaranteed terms**

These contracts insure events associated with human life, i.e. death, disability or survival over long term. A liability for contractual benefits that are expected to be incurred in future are recorded once the first premium under such a contract has been paid. The liability is based on best estimates assumptions regarding future mortality, persistency and maintenance expenses and investment income that are determined at each evaluation date based on an analysis of recent experience modified by expectation of future trends. The best estimates assumptions are adjusted to include a margin for prudence.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Insurance Contracts (Continued)

##### - Long-term insurance contracts with fixed term and DPF

These types of contracts contain a DPF which entitles the contract holder, in supplement to a guaranteed amount, to a contractual right to receive additional profit or bonuses. The magnitude of the profit or bonuses as well as the timing of the payment is however at the discretion of the Company. The Company has an obligation to eventually pay to contract holders up to 20% of the DPF eligible surplus. The remaining 80% is payable to the policy holders at maturity.

##### - Long-term insurance contracts without fixed terms and with DPF

These types of insurance contracts contain a DPF which entitles the contract holder in supplement to a guaranteed amount, to a contractual right to receive additional profit or bonuses.

The amount or timing is contractually at the Company's discretion and is based on:

- (a) Realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
- (b) The profit or loss of the Company that issues the contracts.

#### Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with reinsurance contracts.

Reinsurance contracts used by the Company are proportional and non-proportional treaties and facultative arrangements. Proportional reinsurance can be either 'quota share' where the proportion of each risk reinsurance is stated or "surplus" which is a more flexible form of reinsurance and where the Company can fix its retention limit. Non-proportional reinsurance is mainly 'excess-of-loss' type of reinsurance where, in consideration for a premium, the reinsurer agrees to pay all claims in excess of a specified amount, i.e. the retention, and up to a maximum amount. Facultative reinsurance contracts generally relate to specific insured risks which are underwritten by the Company falling under the term and limits of treaties are reinsured automatically. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities.

Short-term balances due from reinsurers are classified within trade and other receivables. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

#### Impairment of reinsurance assets

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognizes the impairment in the statement of profit and loss and other comprehensive income. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

##### *(a) Premium earned*

###### *(1) Short term insurance*

Premium on short-term insurance contracts represents gross premium net of premium ceded to reinsurers and is recognized as revenue (net earned premium) on an inception basis (daily method).

###### *(2) Long term assurance*

Premium on long-term assurance contracts is recognized in the Life Assurance Fund when receivable, i.e. when payments are due.

##### *(b) Unearned Premium-Short Term Insurance*

Short term insurance unearned premium represents the portion of premium written relating to periods of insurance risks subsequent to 30 June 2019 calculated on the basis of 1/365th of the premium written less premium ceded to reinsurers.

##### *(c) Other Revenues*

Other revenues earned by the Company are recognized on the following bases:

Commission income from reinsurers is recognized on accrual basis in accordance with the substance of the relevant agreement.

Profit commission from reinsurers is recognized on an accrual basis.

#### Claims expenses and outstanding claims provisions

Outstanding claim provisions are based on the ultimate cost of all claims incurred but not secured at the end of the reporting period, whether reported or not (IBNR).

Notified claims are only recognized when the Company considers that they have contractual liabilities to settle the claims.

There are often delays between the occurrence of the insured event and the time it is actually reported to the Company, particularly in respect of the liabilities business, the ultimate cost cannot be known with certainty as to magnitude and timing of the statement of the claim. Outstanding claim provisions are not discounted and exclude any allowances for expected future recoveries.

Recoveries represent claims recoverable from third party insurers. Recoveries are accounted for as and when received. However, non-insurance assets that have been acquired by exercising rights to sell or subrogate under the terms of the insurance contracts are included when providing for outstanding claims.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Review of insurance liabilities

##### *(a) Short-term insurance*

At the end of each reporting period the Company performs a liability adequacy test on its insurance liabilities to ensure that the carrying value is adequate, using current estimates of future cash flow taking into account the relevant investment return. If the assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is charge as an expense to the statement profit and loss and other comprehensive income in recognizing a provision for unexpired risks. The unexpired risks provision is assessed in aggregate for future business classes which are managed together.

##### *(b) Long-term insurance*

Estimates of future benefit payments under long term insurance contracts are provided for based on estimates made by the Company's Actuary. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. Estimates are based on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the country's and the Company's own experience.

#### Life Assurance Fund

The decrease in the Life Assurance Fund represents the increase in the value of policy liabilities. The adequacy of the liabilities is determined annually by actuarial valuation. At the end of every year, a valuation of assets and liabilities is done and every three years an evaluation of assets and liabilities is done to find the DPF eligible surplus. In the light of the latter a rate of bonus is set for policy holders. The distributable share of the surplus is transferred annually to the life fund. The amount of the DPF eligible surplus distributable to shareholders limited to 1/9th of the cost of the final bonuses allocated to the policyholders. The holder's share of the DPF eligible surplus is recognized annually and transferred from the Life Assurance Fund to the statement of comprehensive income. The non-distributable share and the surplus are transferred annually from the retained earnings to a non-distributable reserve in the Statement of Changes in Equity. Whenever bonuses are paid or credited to policyholders, an amount representing 1/9th of these bonuses is transferred from the non-distributable surplus to retained earnings in the Statement of Changes in Equity.

#### Impairment

At the end of each reporting period, the Company reviews the carrying amounts of the tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss (if any). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is higher of an asset's net selling price and value in use.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Deferred Income Tax**

Deferred Income Tax is provided using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Provisions are required to be made by the Company for deferred income taxes on the revaluation of certain non-current assets and in relation to acquisitions of assets acquired and their tax base.

Temporary differences arise mainly from depreciation on property, plant and equipment, revaluation of certain non-current assets, tax losses carried forward, provision for doubtful debts and on retirement benefit obligations. Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that is probable that future taxable profit will be available against which the unused tax losses can be utilised.

#### **Retirement Benefit Obligation**

The Company does not operate any retirement benefit plan. However, provision for retirement benefit obligations have been made for employees according to the Employment Rights Act 2008. Provision for retirement benefits are accrued on the basis of time spent in the organisation in order to recognise for future liabilities already covered. Cost for future benefits are accounted for as they are earned.

#### *Other retirement benefits:*

The present value of other retirement benefits in respect of Employment Rights Act 2008 gratuities is recognised in the statement of financial position as a non-current liability. The rate used to discount the retirement benefits is assumed to be the same as that which reflects future salary increases.

#### *State plan*

Contributions to the National Pension Scheme and defined contribution pension plan are expensed to the statement of comprehensive income in the period in which they fall due.

#### **Foreign currency translation**

Transactions in foreign currencies are recorded into the functional currency using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. All exchange differences on translation are dealt with in the statement of comprehensive income.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used, and certain judgements are made. The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, the results of which form the basis for judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods if relevant. The areas where the estimates and assumptions involve a high degree of judgement or complexity and are considered significant to the financial statements, listed together with reference to the notes to the financial statements where more information is provided, are:

#### **(a) Insurance contracts**

Insurance contracts relate to premium, claims and losses reported, reinsurance covers and other recoveries and payable on outstanding claims.

##### *(i) Estimates of future claims payments, unearned premiums and recoveries on outstanding claims*

The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include liabilities for unearned premiums and outstanding claims provision including incurred but not reported (IBNR) at 30 June 2019. In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards to the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions. Outstanding claims provision is determined based upon knowledge of events, terms and conditions of relevant policies, on interpretation of circumstances as well as previous claims experience and court judgement. Similar cases and historical claims payment trends are also relevant.

The Company employs a variety of techniques and a number of different bases to determine appropriate provisions. The use of triangular claim development tables analysis expected loss ratios and estimates based upon a projection of claims numbers and average cost.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjuster's recommendation or based on management's experience. Provisions are calculated gross of any reinsurance recoveries.

There are various ways to estimate unearned premium reserves the Company has adopted a more realistic approach by using the 1/365th method since 30th June 2017.

##### *(ii) Uncertainties and judgement*

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- Uncertainty as to whether an event has occurred which would give rise to a policy holder suffering an insured loss;
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring; and
- Uncertainty over the timing of a settlement to a policyholder for a loss suffered.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### ***(a) Insurance Contracts (Continued)***

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. For certain classes of policy, the maximum value of the settlement of a claim may be specified under the policy terms while for other classes, the cost of a claim will be determined by an actual loss suffered by the policyholder.

There may be some reporting lags between the occurrence of the insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as judicial trends and reported information and so on.

#### ***(b) Impairment of available-for-sales financial assets***

The Company follows the guidance of IAS 39 on determining when an investment is impaired. This determination requires significant judgement. In making this judgement the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operation and financing cash flow.

#### ***(c) Impairment of other assets***

All other items classified under other assets are reviewed independently and their carrying amounts assessed at reporting date and where relevant they are written down to their recoverable amount.

#### ***(d) Sensitivity analysis***

The reasonableness of the estimation process is tested by an analysis of sensitivity around several different scenarios and the best estimate is used. Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and the other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company's activities expose it to a variety of insurance and financial risks. A description of the significant risk factors is given below together with the risk management policies applicable.

#### **(a) Insurance risk**

The risk under any insurance contract is the possibility that an insured event occurs and the uncertainty of the amount of resulting claim.

The main risk that the Company faces under its insurance contracts is that the actual claims and benefits are greater than estimated. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

#### **- Motor and liability insurance**

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, fire and allied perils and their consequences. Inflation is also a significant factor due to the long period of time typically required to settle some claims.

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has underwriting limits by type of risks and by industry. Performances of individual insurance policies are reviewed by management and the Company reserves the right not to renew individual policies.

The Company can impose deductibles and has the right to reject the payment of a fraudulent claim. Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

The reinsurance arrangements of the Company include proportional, excess of loss and catastrophe coverage and as such, the maximum loss that the Company may suffer in any one event is predetermined.

#### **- Property insurance**

In case of property insurance contracts, climatic changes give rise to more frequent and severe external natural weather events (for example cyclone claims). Property insurance is subdivided into different risks groups, fire, business interruption, cyclone damage and other perils.

The insurance risk arising from these contracts is balanced between commercial and personal properties in the overall portfolio of insured buildings. Although the reinsurers are liable to the extent of the reinsurance ceded, the Company remains primarily liable to the policy holder as the direct insurers of all risks reinsured.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### - Concentration of insurance risks - short term insurance

The following table discloses the concentration of risk by the spread of business between the following classes of business, policies in issue, gross premium underwritten and net claim incurred.

The business experiences a high concentration of risk in the motor class of business. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

#### - Concentration of insurance risks - short term insurance

The table below exhibit the spread of business under various short-term classes:

	2019			2018		
	No of Policies	GPI	Net Claim	No of Policies	GPI	Net Claim
<b>Motor</b>	<b>16,606</b>	<b>58,674,507</b>	<b>31,669,265</b>	14,311	52,146,704	36,148,387
<b>Accident &amp; Health</b>	<b>125</b>	<b>795,673</b>	<b>485,325</b>	115	821,300	1,836,070
<b>Engineering</b>	<b>80</b>	<b>1,969,285</b>	<b>14,099</b>	88	1,725,723	167,365
<b>Liability</b>	<b>156</b>	<b>1,631,839</b>	<b>(2,933)</b>	143	472,981	(490,583)
<b>Property</b>	<b>193</b>	<b>1,350,543</b>	<b>(17,230)</b>	204	1,220,060	(613,106)
<b>Transportation</b>	<b>246</b>	<b>2,208,281</b>	<b>73,968</b>	124	636,230	101,350
<b>Guarantee</b>	<b>59</b>	<b>1,474,437</b>	<b>-</b>	48	1,522,418	45,530
<b>Miscellaneous</b>	<b>196</b>	<b>251,668</b>	<b>(15,535)</b>	111	353,928	(93,752)
	<b>17,661</b>	<b>68,356,233</b>	<b>32,206,959</b>	15,144	58,899,344	37,101,261

#### - Concentration of insurance risks - Long term

The following table presents the concentration of insured benefits across bands of insured benefits per individual life assured.

Annuity payable per annum per life assured at 30 June 2019

	2019 Gross Rs	%	2018 Gross Rs	%
0	45,877	2%	45,365	2%
50,000	92,268	5%	92,080	5%
100,000	140,000	8%	140,833	8%
150,000	197,500	11%	198,077	11%
200,000	240,000	13%	240,000	13%
250,000	300,000	16%	300,000	16%
> 300,000	825,000	45%	825,000	45%
	<b>1,840,645</b>	<b>100%</b>	<b>1,841,355</b>	<b>100%</b>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### (a) Insurance risk (Continued)

##### - Sources of uncertainty

##### Motor and liability insurance

Claims on motor and liability insurance contracts are payable on a loss occurrence basis for motor and liability business and on a risk attaching basis for non-motor. Under the loss- occurrence basis, the Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract. As a result, liability claims may be settled over a long period of time and an element of the claim provision relates to incurred but not reported claims (IBNR). For the risk attaching basis, the Company is liable for such claims as related to the underwriting year in which the risk was underwritten.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries. The Company ensure that claims provisions are determined using the best information available of claims settlement patterns, forecast inflation and settlement of claims. Estimation techniques also involve obtaining corroborative evidence form a wide range of sources as possible and combining these to form the best overall estimates. However, given the uncertainty in claims provisions, the probability exists that estimated cost and subsequent settlement amounts would differ.

As shown on the Claim Development Table the Company's average cost of claim varies significantly for both gross claims incurred, and net claim incurred. The impact of a sensitive increase in cost of claim will depend on the reinsurance structure and effectiveness of the treaty cover to ensure a healthy financials position at 30 June 2019.

Below is the result of a 5% change in cost and basis of claim provisioning

Sensitivity of a 5% change in claim cost	%	2019 Rs	2018 Rs
Gross Insurance Liabilities	5%	3,612,252	4,406,338
Reinsurance Contracts Receivable	20%	722,450	881,268
Effect on Net Claim incurred	80%	2,889,802	3,525,071
Effect on Net Profit	4%	2,889,802	3,525,071

The effect of a 5% change in claim provisioning assuming the reinsurance remain at 20% will result in a decrease or increase in net profit by Rs 2,889,802.

##### - Claims development table

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table on the next page illustrates how the estimates of total claims experienced based on date of loss for each year ends and reconciles the cumulative outstanding claims to the amount appearing in the statement of financial position.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### (a) Insurance risk (Continued)

##### - Claims development table (Continued)

##### Claims development table- Gross claim incurred

	2014 Rs	2015 Rs	2016 Rs	2017 Rs	2018 Rs	2019 Rs	TOTAL Rs
Estimate of cumulative claims at end of accident year	22,500,215	24,792,804	45,382,486	45,542,705	45,219,245	<b>47,749,150</b>	
One year later	26,430,468	31,857,697	46,283,732	52,340,792	46,718,595	-	
Two years later	28,587,834	30,611,821	49,821,697	50,378,703	-	-	
Three years later	29,115,828	30,335,026	48,373,167	-	-	-	
Four years later	31,570,890	29,947,246	-	-	-	-	
Five years later	31,221,911	-	-	-	-	-	
Current estimate of cumulative claim cost	31,221,911	29,947,246	48,373,167	50,378,703	46,718,595	<b>47,749,150</b>	
Cumulative payments	28,926,697	27,459,830	38,715,465	41,205,495	34,479,024	<b>26,289,514</b>	
Outstanding claims	2,295,214	2,487,416	9,657,702	9,173,208	12,239,571	<b>21,459,636</b>	57,312,747
Outstanding claims 2013 and prior IBNR							10,436,030
Total Outstanding claims							4,496,255
							<b>72,245,032</b>

##### Claims development table-Reinsurance claim received and recoverable

Estimate of cumulative claims at end of accident year	804,845	2,550,327	6,925,971	5,192,402	5,717,165	<b>6,465,619</b>	
One year later	2,875,578	5,843,882	9,771,388	11,379,427	8,401,021	-	
Two years later	4,957,570	5,935,168	12,107,553	12,036,700	-	-	
Three years later	5,476,646	5,191,579	12,031,984	-	-	-	
Four years later	6,832,145	5,334,966	-	-	-	-	
Five years later	6,812,365	-	-	-	-	-	
Current estimate of cumulative claim cost	6,812,365	5,334,966	12,031,984	12,036,700	8,401,021	<b>6,465,619</b>	
Cumulative payments	6,807,365	4,824,366	7,841,254	9,898,534	7,176,802	<b>6,006,909</b>	
Outstanding claims	5,000	510,600	4,190,730	2,138,166	1,224,219	<b>458,710</b>	8,527,425
Outstanding claims 2013 and prior IBNR							5,135,109
Total Outstanding claims							<b>13,662,534</b>

##### Claims development table- Net claim incurred

Estimate of cumulative claims at end of accident year	21,695,370	22,242,476	38,456,515	40,350,303	39,502,080	<b>41,283,531</b>	
One year later	23,554,890	26,013,814	36,512,344	40,961,365	38,317,574	-	
Two years later	23,630,264	24,676,653	37,714,144	38,342,003	-	-	
Three years later	23,639,182	25,143,447	36,341,183	-	-	-	
Four years later	24,738,745	24,612,280	-	-	-	-	
Five years later	24,409,546	-	-	-	-	-	
Current estimate of cumulative claim cost	24,409,546	24,612,280	36,341,183	38,342,003	38,317,574	<b>41,283,531</b>	
Cumulative payments	22,119,332	22,635,464	30,874,211	31,306,961	27,302,222	<b>20,282,605</b>	
Outstanding claims	2,290,214	1,976,816	5,466,972	7,035,042	11,015,352	<b>21,000,926</b>	48,785,322
Outstanding claims 2013 and prior IBNR							5,300,921
Total Outstanding claims							4,496,255
							<b>58,582,498</b>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### *(a) Insurance risk (Continued)*

##### **- Property insurance**

Property insurance claims are analysed separately for cyclone and non-cyclone claims. The development of large losses and catastrophes are analysed separately. Non-cyclone claims can be estimated with greater reliability, and the Company estimation processes reflects all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims and relatively little IBNR is held at the end of the reporting period.

##### **- Long-term insurance**

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arise from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the last three years is carried out and statistical method are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

#### **(b) Financial risks**

The Company is exposed to financial risks through its financial assets and liabilities. In particular, the key financial risk is that proceeds from its financial assets are not sufficient to fund the obligations arising from insurance contracts.

##### **- Interest rate risks**

Interest rate risk arises from the Company's investments in long term debt securities and fixed income securities, banks balances and deposits which are exposed to fluctuations in interest rates. The financial Instruments that guaranteed benefits payable to long term life assurance contracts represent 67 % (73% at 30 June 2018). Exposure to interest rate risk on short term business is monitored by the Audit & Technical Committee through a close matching of assets and liabilities. The impact of exposure to sustain low interest rates is also regularly monitored.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5.MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### (b) Financial Risks (Continued)

##### - Interest rate risk (Continued)

The table below summarises the Company's interest rate risk exposure

Description	Up to 1 Year Rs	1 - 5 Years Rs	Above 5 Years Rs	Total Rs
<b>As at 30 June 2019</b>				
Statutory Deposits	8,568,750	10,000,000	-	18,568,750
Deposits	15,000,000	70,018,750	4,929,700	89,948,450
Loans and receivables	916,992	646,560	-	1,563,552
Cash in hand and at bank	94,010,046	-	-	94,010,046
	<b>118,495,788</b>	<b>80,665,310</b>	<b>4,929,700</b>	<b>204,090,798</b>

<b>As at 30 June 2018</b>				
Statutory Deposits	2,000,000	2,568,750	14,000,000	18,568,750
Deposits	25,878,648	52,187,980	65,288,974	143,355,602
Loans and receivables	908,272	284,873	-	1,193,145
Cash in hand and at bank	49,389,773	-	-	49,389,773
	<b>78,176,693</b>	<b>55,041,603</b>	<b>79,288,974</b>	<b>212,507,270</b>

#### Sensitivity

The impact on the Company's results had interest rates varied by plus or minus 1% would have been as follows:

	2019 Rs	2018 Rs
Actual Interest Income	5,775,008	6,117,100
A 1% point decrease Effect on the result	<u>3,734,100</u> <u>(2,040,908)</u>	<u>3,992,027</u> <u>(2,125,073)</u>
A 1% point increase Effect on the result	<u>7,815,916</u> <u>2,040,908</u>	<u>8,242,173</u> <u>2,125,073</u>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5.MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet all or part of his obligations. The Company's credit is primarily attributable to its policyholders and reinsurers. Reinsurance arrangement mitigate insurance risk but expose the Company to credit risk.

Reinsurer's share of insurance on outstanding claims and incurred but not reported (IBNR) losses:

- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries.

Except for amounts receivable from reinsurers, the Company has no significant concentration of credit risk with exposure spread over a large number of clients and agents.

The amounts presented in the statement of financial position are net of allowances for estimated irrecoverable receivables, based on management's prior experience and the current economic environment.

The following table provides information regarding the carrying value of the financial assets that have been impaired and the ageing of the financial assets that are past due but not impaired.

	Outstanding for Less than 60 days Rs	60 days to 1 year Rs	Over 1 year Rs	Total Gross Amount Rs
<b>As at 30 June 2019</b>				
From Agents	1,953,584	-	-	1,953,584
From Brokers	2,306,913	6,710,315	2,362,011	11,379,239
From Policyholders	1,612,148	2,239,233	1,680,455	5,531,836
From Re-Insurers	4,383,433	-	-	4,383,433
	<b>10,256,078</b>	<b>8,949,548</b>	<b>4,042,465</b>	<b>23,248,092</b>
<b>As at 30 June 2018</b>				
From Agents	2,164,607	-	-	2,164,607
From Brokers	894,755	2,952,464	2,976,115	6,823,334
From Policyholders	2,082,585	583,508	1,030,609	3,696,702
	<b>5,141,947</b>	<b>3,535,972</b>	<b>4,006,724</b>	<b>12,684,643</b>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5.MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### Foreign exchange risk

The Company is exposed to foreign exchange risk arising from mainly US Dollar currency exposures. The Company has deposits and bank balances in foreign currency and is exposed to fluctuations with respect to the US Dollar. Exposure to foreign currency is not hedged but closely monitored by management.

The Company's exposure to foreign exchange risk is summarised below:

The Company had mainly equity securities and bank deposits in foreign currencies and any fluctuation of the Mauritian Rupee against those foreign currencies will affect the value of the deposits. At 30th June 2019, if the Rupee had weakened/ strengthened by 5% against foreign currencies with all other variables held constant, the Company's profit for the year would have been Rs 5,145,822 (2018 Rs 5,069,861) respectively higher/lower mainly resulting from translation of foreign currency account.

		2019	2018
Bank balances	USD	931,051	858,213
Investment in Equity	USD	1,958,359	2,094,634
Actual exchange rate		35.62	34.34
	RS	<u>102,916,435</u>	<u>101,397,230</u>
The effect of a 5% change in rate		5,145,822	5,069,861

ASSETS	MUR Equivalent of USD Rs	MUR Rs	Total Rs
<b>At 30 June 2019</b>			
Property, plant and equipment	-	41,912,064	41,912,064
Intangible asset	-	32,840	32,840
Statutory deposits	-	18,568,750	18,568,750
Investment property	-	1,100,000	1,100,000
Available-for-sale financial asset	69,753,810	1,836,739	71,590,549
Held-to-maturity investments	-	-	-
Deposits	-	89,948,450	89,948,450
Loans and receivables	-	1,563,552	1,563,552
Receivable and prepayments	-	30,739,014	30,739,014
Deferred tax asset	-	-	-
Reinsurance contracts	-	13,662,534	13,662,534
Cash in hand and at bank	33,162,625	60,847,421	94,010,046
	<u>102,916,435</u>	<u>260,211,364</u>	<u>363,127,799</u>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### Foreign exchange risk (Continued)

ASSETS	MUR Equivalent of USD Rs	MUR Rs	Total Rs
<b>At 30 June 2018</b>			
Property, plant and equipment	-	34,652,514	34,652,514
Intangible asset	-	1,043,314	1,043,314
Statutory deposits	-	18,568,750	18,568,750
Investment property	-	1,100,000	1,100,000
Available-for-sale financial asset	71,927,218	1,750,776	73,677,994
Held-to-maturity investments	-	-	-
Deposits	29,187,980	114,167,622	143,355,602
Loans and receivables	-	1,193,145	1,193,145
Receivable and prepayments	-	23,583,355	23,583,355
Deferred tax asset	-	-	-
Reinsurance contracts	-	27,481,897	27,481,897
Cash in hand and at bank	282,032	49,107,741	49,389,773
	<b>101,397,230</b>	<b>272,649,114</b>	<b>374,046,344</b>

#### Reinsurers' default

The Company is exposed to the possibility of default by reinsurers for their share of insurance liabilities and refunds in respect of claims already paid and outstanding. Management monitors the financial strength of reinsurers and the Company has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only.

The table below shows the amount the Company is exposed to these risks on paid and unpaid insurance contracts:

	2019 Rs	2018 Rs
Balance due by Reinsurers		
On reinsurance contract paid	<b>4,383,434</b>	449,652
On reinsurance contract unpaid	<b>13,662,534</b>	27,481,897
	<b>18,045,968</b>	27,931,549

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5.MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### Capital risk management

The Company's objective when managing capital are:

- To comply with the minimum capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007.
- To safeguard the Company's ability to continue as a going concern so that it can provide returns to the shareholders and benefits for its policyholders and other stakeholders.
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The minimum Capital Requirement at 30 June 2019 for General Insurance Business is as follows:

	2019 Rs	2018 Rs
Total Capital available	159,606,963	107,782,884
Minimum Capital Required (MCR)	33,322,105	33,876,404
Capital Available as a % of MCR	479%	318%

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

The Company is exposed to daily payments of benefits to clients and to repayment of financial liabilities.

The Company's liquidity position is monitored on a regular basis. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets.

The table below summarises the Company's trading liabilities, categorised by the earlier of contractual re-pricing or maturity dates at 30th June.

	1 mth -3 mths Rs	4 mths - 1 year Rs	Repayable on demand Rs	Total Rs
<b>Financial liabilities</b>				
<b>- 30 June 2019</b>				
Insurance liabilities	675,328	-	72,245,032	72,920,360
Other financial liabilities	4,032,054	-	4,502,987	8,535,041
	<b>4,707,382</b>	<b>-</b>	<b>76,748,019</b>	<b>81,455,401</b>
<b>Financial liabilities</b>				
<b>- 30 June 2018</b>				
Insurance liabilities	631,315	-	88,126,763	88,758,078
Other financial liabilities	8,287,889	-	4,389,067	12,676,956
	<b>8,919,204</b>	<b>-</b>	<b>92,515,830</b>	<b>101,435,034</b>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5.MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### Premium risk

Premium risk is defined as the danger of insurance premium not being enough to cover the contractual claim liability that may arise. This risk is closely evaluated, and action has to be taken to arrange for reinsurance and building up of adequate reserves within the Company.

Following the actuarial report, the Company has increased its Premium Deficiency Reserve to Rs 6,000,000 (2018: Rs 4,000,000).

#### Market risk

Market risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

#### Fair values

##### *Fair value measurements recognised in the statement of financial position*

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value are not based on observable market data.

The following table analyses within the fair value hierarchy of the Company financial assets.

Available for sale financial assets	2019	2018
	Rs	Rs
Level 1 - Quoted	1,839,034	1,751,404
Level 2 - Unquoted	69,751,515	71,926,590
	<b>71,590,549</b>	<b>73,677,994</b>

Available-for-sale financial assets comprise quoted and unquoted financial assets.

None of the financial assets are either past due or impaired.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5.MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### Equity price risk

The valuations of the Company's available-for-sale equity portfolio are subject to equity price risk. Exposure to price risk on the equity portfolio is not hedged. The Company is subject to price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements. In addition, local insurance regulations set out the capital required for risks associated with type of assets held, investments above a certain concentration limit, policy liabilities risks, catastrophes risks and reinsurance ceded.

The Audit and Technical Committee actively monitors equity assets owned directly by the Company as well as concentration of specific Equity holdings. Equity price risk is also mitigated as the Company holds diversified portfolios of local and foreign investments in various sectors of the economy.

#### Sensitivity

The impact on the Company's shareholders' equity had the equity market values increased/decreased by 10% with other assumptions left unchanged would have been as follows:

	2019	2018
Impact on shareholders equity of a 10% change in market price	<b>7,159,055</b>	7,367,799

Rs

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6. PROPERTY, PLANT AND EQUIPMENT

The freehold land and building situated at 12 Volcy Pougnet Street Port Louis were revalued on 25 September 2019 the land at Rs 9.24m and the building at Rs 29.96m by independent valuers Primepillars Valuation Services Ltd on an open market basis, resulting in revaluation surplus of Rs 2.24m. on the land and Rs 6.41m on the building.

	Freehold Land Rs.	Building Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Total Rs.
<b>COST/VALUATION</b>						
At 1 July 2017 - Cost	1,800,000	26,465,125	1,790,469	2,648,384	3,516,250	36,220,228
At 1 July 2013 - Revaluation	5,200,000	-	-	-	-	5,200,000
Additions	-	-	4,025	250,932	1,585,771	1,840,728
Revaluation adjustment	-	-	-	-	-	-
Scrap	-	-	-	-	(1,330,000)	(1,330,000)
At 30 June 2018	7,000,000	26,465,125	1,794,494	2,899,316	3,772,021	41,930,956
Additions	-	-	40,135	227,748	-	267,883
Revaluation adjustment	2,240,000	6,406,034	-	-	-	8,646,034
<b>At 30 June 2019</b>	<b>9,240,000</b>	<b>32,871,159</b>	<b>1,834,629</b>	<b>3,127,064</b>	<b>3,772,021</b>	<b>50,844,873</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 July 2017	-	1,852,558	1,159,102	1,777,977	2,485,048	7,274,685
Charge for the year	-	529,300	201,779	292,018	310,659	1,333,756
Scrap	-	-	-	-	(1,329,999)	(1,329,999)
At 30 June 2018	-	2,381,858	1,360,881	2,069,995	1,465,708	7,278,442
Charge for the year	-	529,300	201,115	348,998	574,954	1,654,367
<b>At 30 June 2019</b>	<b>-</b>	<b>2,911,158</b>	<b>1,561,996</b>	<b>2,418,993</b>	<b>2,040,662</b>	<b>8,932,809</b>
<b>NET BOOK VALUE</b>						
<b>At 30 June 2019</b>	<b>9,240,000</b>	<b>29,960,001</b>	<b>272,633</b>	<b>708,071</b>	<b>1,731,359</b>	<b>41,912,064</b>
At 30 June 2018	7,000,000	24,083,267	433,613	829,321	2,306,313	34,652,514

### 7. INTANGIBLE ASSETS

	Computer software Rs.
<b>COST</b>	
At 1 July 2017	620,685
Addition	1,043,312
At 30 June 2018	1,663,997
Addition	49,257
<b>At 30 June 2019</b>	<b>1,713,254</b>
<b>AMORTISATION</b>	
At 1 July 2017	620,683
Charge for the year	-
At 30 June 2018	620,683
Charge for the year	1,059,731
<b>At 30 June 2019</b>	<b>1,680,414</b>
<b>NET BOOK VALUE</b>	
<b>At 30 June 2019</b>	<b>32,840</b>
At 30 June 2018	1,043,314

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Fair value 2019 Rs.	Cost 2019 Rs.	Fair value 2018 Rs.	Cost 2018 Rs.
<b>Available for sale:</b>				
- Listed	1,839,034	187,270	1,751,404	187,270
- Unquoted-Local	62,708,156	9,902,409	65,245,818	9,902,409
- Unquoted-Overseas	7,043,359	1,733,573	6,680,772	1,733,573
<b>At 30 June 2019</b>	<b>71,590,549</b>	<b>11,823,252</b>	73,677,994	11,823,252

Available-for-sale investments comprise unquoted and listed equity securities. The fair value of the listed investments is based on Stock Exchange of Mauritius official market quoted prices at the close of business at the end of the reporting period. Unquoted securities are valued at net assets value from the most recent statement of affairs.

### 9. STATUTORY DEPOSITS

The statutory deposits represent term deposits with local banks and is pledged in favour of the Financial Services Commission.

	2019 Rs.	2018 Rs.
Statutory deposits	18,568,750	18,568,750

### 10. INVESTMENT PROPERTY

The Investment Property is held for capital appreciation and is not occupied by the Company.

In the opinion of the directors, the carrying amount of the Investment Property approximates its fair value.

	2019 Rs.	2018 Rs.
Land	1,100,000	1,100,000

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 11. DEPOSITS

	2019	2018
	Rs.	Rs.
<b>Maturing:</b>		
up to 3 months	2,000,000	5,933,880
3 to 6 months	6,000,000	13,247,398
6 to 12 months	15,568,750	42,754,100
> 12 months	84,948,450	99,988,974
	<b>108,517,200</b>	161,924,352
<b>Analysis as follows:</b>		
Non-current - Statutory deposit	18,568,750	18,568,750
Non-current	68,948,450	83,420,224
Current	21,000,000	59,935,378
	<b>108,517,200</b>	161,924,352

### 12. LOANS AND RECEIVABLES

	2019	2018
	Rs.	Rs.
Mortgage loans	737,478	737,478
Surrender values	12,609	12,609
Other loans	916,992	546,585
Provision for bad debts	(103,527)	(103,527)
	<b>1,563,552</b>	1,193,145
<b>Analysis as follows:</b>		
Non-current	916,992	284,873
Current	646,560	908,272
	<b>1,563,552</b>	1,193,145

- (a) There is no concentration of risk with respect to mortgages and other loans since balances are widely spread.  
 (b) Mortgages and other loans are secured by life insurance policies and fixed charges.  
 (c) All mortgages and other loans are denominated in Mauritian rupees.  
 (d) The carrying amounts of mortgages and other loans approximate their fair values.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 13. RECEIVABLES AND PREPAYMENTS

	2019 Rs.	2018 Rs.
Premium receivables	18,864,659	12,814,175
Provision for doubtful debts	-	-
	<b>18,864,659</b>	12,814,175
Interest and dividends receivables	11,179,391	9,713,693
Other receivables and prepayments	694,964	1,055,487
	<b>30,739,014</b>	23,583,355

a) The ageing analysis of these premium receivables is as follows:

	2019 Rs.	2018 Rs.
up to 3 months	6,568,876	5,334,939
3 to 6 months	1,259,140	938,924
6 to 12 months	6,132,099	2,524,155
> 12 months	4,904,544	4,016,157
	<b>18,864,659</b>	12,814,175

b) Movement in provision for doubtful debts

	2019 Rs.	2018 Rs.
At 1 July	-	-
Movement during the year	-	-
<b>At 30 June</b>	<b>-</b>	<b>-</b>

(c) The other classes within receivables and prepayments do not include impaired assets.

(d) The Company does not hold any collateral as security in respect of receivables and prepayments.

(e) All receivables and prepayments are denominated in Mauritian rupees.

(f) The carrying amounts of receivables and prepayments approximate their fair values.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 14. AMOUNT DUE BY REINSURERS

	2019	2018
	Rs.	Rs.
At 1 July	449,652	432,604
Movement during the year	3,933,781	17,048
<b>At 30 June</b>	<b>4,383,433</b>	449,652

### 15. STATED CAPITAL

	2019	2018
	Rs.	Rs.
<b>Authorised, Issued and Fully Paid</b>		
1 Founder share of Rs 10 each	10	10
2,499,999 ordinary shares of Rs 10 each	24,999,990	24,999,990
	<b>25,000,000</b>	25,000,000

### 16. REVALUATION RESERVES

	2019	2018
	Rs.	Rs.
At 1 July - Freehold Land	5,200,000	5,200,000
At 1 July - Other Assets	56,757,796	61,860,057
Increase in value - Freehold Land	2,240,000	-
Increase / (decrease) in value- Other Assets	1,714,909	(5,102,261)
<b>At 30 June</b>	<b>65,912,705</b>	61,957,796

The reserves under other assets relate to the surplus on revaluation on building and comprise cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 17. UNEARNED PREMIUM RESERVES

<b>Unearned Premium Reserve</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
At 1 July	<b>26,256,624</b>	26,185,994
Movement during the year	<b>3,152,168</b>	70,630
<b>At 30 June</b>	<b>29,408,792</b>	26,256,624

Short-term insurance unearned premium represents the portion of premium written relating to periods of insurance risks subsequent to the statement of financial position calculated based on 1/365<sup>th</sup> method this year.

The unearned premium reserves are disclosed net of reinsurances

	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Gross Basis</b>		
At 1 July	<b>30,988,085</b>	29,852,569
Movement during the year	<b>2,015,403</b>	1,135,516
<b>At 30 June</b>	<b>33,003,488</b>	30,988,085
<b>Reinsurers Share</b>		
At 1 July	<b>4,731,461</b>	3,666,575
Movement during the year 2019	<b>(1,136,765)</b>	1,064,886
<b>At 30 June</b>	<b>3,594,696</b>	4,731,461
<b>Net Basis</b>		
At 1 July	<b>26,256,624</b>	26,185,994
Movement during the year	<b>3,152,168</b>	70,630
<b>At 30 June</b>	<b>29,408,792</b>	26,256,624

### 18. LIFE ASSURANCE FUND

	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
At 1 July	<b>35,424,113</b>	42,135,578
Deficit for the year	<b>(1,473,645)</b>	(6,711,465)
Gain on foreign exchange	<b>956,704</b>	-
<b>At 30 June</b>	<b>34,907,172</b>	35,424,113

The decrease in the Life Assurance Fund represents the increase in the value of policy liabilities. The adequacy of the liabilities is determined annually by the actuarial valuation.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 19. RETIREMENT BENEFIT OBLIGATION

	2019	2018
	Rs.	Rs.
At 1 July	3,884,744	3,105,138
Charge for the year	183,804	779,606
<b>At 30 June</b>	<b>4,068,548</b>	3,884,744

The Company does not have in place a defined benefit or contributory retirement benefit scheme. It provides for its statutory obligation towards Severance Allowances calculated in accordance with the Employment Rights Act 2008.

### 20. PAYABLES

	2019	2018
	Rs.	Rs.
Founder Share Commission	745,604	6,707,063
Accrued Expenses	909,644	1,035,964
Other payables	1,786,376	1,041,240
	<b>3,441,624</b>	8,784,267

### 21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	2019	2018
	Rs.	Rs.
Cash in hand	602,740	446,918
Cash at bank	93,407,306	48,942,855
	<b>94,010,046</b>	49,389,773

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 22. PROFIT FOR THE YEAR BEFORE TAX

The net profit transferred from General Insurance Business Revenue account for the year ended is stated after charging:

	2019 Rs.	2018 Rs.
<b>Investment income</b>	<b>7,551,152</b>	7,164,439
<b>Dividend income from:</b>		
Quoted companies	<b>6,813</b>	24,982
Unquoted companies	<b>2,324,998</b>	2,250,620
<b>Included in management expenses are:</b>		
Staff costs	<b>7,219,732</b>	7,242,310
Auditors' remuneration	<b>350,000</b>	350,000
Depreciation and amortisation	<b>2,714,098</b>	1,333,756
<b>Directors Remuneration and Benefits</b>		
Executive Director's emoluments	<b>1,827,358</b>	2,245,334
Executive Director's fees	<b>70,000</b>	126,000
Non Executive Director's fees	<b>510,000</b>	728,000

### 23. DIVIDENDS

	2019 Rs.	2018 Rs.
Revenue reserves	<b>124,827,162</b>	123,955,312
Dividends paid	-	-
No. of shares in issue	<b>2,500,000</b>	2,500,000
Dividends per share	-	-

No dividend has been proposed and declared during the year.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 24. INCURRED CLAIMS

	2019 Rs.	2018 Rs.
<b>Gross Claim Incurred</b>		
Gross claim provision at start	(83,630,508)	(71,618,649)
Paid during the year	56,237,474	37,707,678
Gross claim provision at end	67,748,777	83,630,508
<b>Gross Claim Incurred</b>	<b>40,355,743</b>	<b>49,719,537</b>
<b>Reinsurance contracts recoverable</b>		
Amount recoverable at start	(27,481,897)	(22,671,502)
Amount recovered during the year	21,968,147	8,289,740
Amount recoverable at end	13,662,534	27,481,897
<b>Net amount recoverable</b>	<b>8,148,784</b>	<b>13,100,135</b>
<b>Net Claim Incurred</b>		
Net claim provision at start	(56,148,611)	(48,947,147)
Paid during the year	34,269,327	29,417,938
Net claim provision at end	54,086,243	56,148,611
<b>Net Claim Incurred</b>	<b>32,206,959</b>	<b>36,619,402</b>
IBNR movement	-	481,859
<b>Net Claim Incurred after IBNR</b>	<b>32,206,959</b>	<b>37,101,261</b>

### 25. OUTSTANDING CLAIMS AND REINSURANCE CONTRACTS

	2019 Rs.	2018 Rs.
<b>Short term insurance contracts:</b>		
Claims reported and loss adjustment expenses	67,748,777	83,630,508
Provision for claims incurred but not reported "IBNR"	4,496,255	4,496,255
Total gross insurance liabilities	72,245,032	88,126,763
<b>Recoverable from reinsurers</b>		
Claims reported and loss adjustment expenses	(13,662,534)	(27,481,897)
<b>Net claim:</b>		
Claims reported and loss adjustment expenses	54,086,243	56,148,611
Provision for claims incurred but not reported "IBNR"	4,496,255	4,496,255
Total net insurance liabilities	58,582,498	60,644,866

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 26. AMOUNT DUE TO REINSURERS

	2019	2018
	Rs.	Rs.
At 1 July	631,315	961,349
Movement during the year	44,013	(330,034)
<b>At 30 June</b>	<b>675,328</b>	<b>631,315</b>

### 27. CURRENT TAX LIABILITIES

	2019	2018
	Rs.	Rs.
General business	536,454	-
Life business	53,976	7,945
	<b>590,430</b>	<b>7,945</b>

### 28. TAXATION

The Company is liable to income tax at the rate of 15% on its profit as adjusted for income tax purposes

	2019	2018
	Rs.	Rs.
Corporation tax payable:		
Life department see note (i)	83,237	7,945
General department see note (ii)	536,454	-
	<b>619,691</b>	<b>7,945</b>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 28. TAXATION (Continued)

	2019	2018
	Rs.	Rs.
<b>(i) Life</b>		
Income tax charge for the year at 15% (See Note 28(ii))	83,237	1,330
Corporate Social Responsibility (CSR)	-	6,615
Deferred tax movement	(181,003)	18,990
<b>Tax charge for the year</b>	<b>(97,766)</b>	<b>26,935</b>
<b>(ii) Reconciliation of the effective tax rate:</b>		
Interest, dividends and commissions receivable	2,297,412	937,960
Other Income	961,464	671,367
Exempt income	(1,741,745)	(839,584)
Management expenses	(962,220)	(760,877)
	554,911	8,866
Tax thereon at 15%	83,237	1,330
Corporate Social Responsibility	-	6,615
<b>Tax payable for the year</b>	<b>83,237</b>	<b>7,945</b>
	2019	2018
	Rs.	Rs.
<b>(iii) General</b>		
Income tax for the year at 15%	536,454	-
Deferred tax movement	111,119	(607,571)
<b>Tax charge for the year</b>	<b>647,573</b>	<b>(607,571)</b>
Profit before taxation	5,493,490	606,624
Tax thereon at 15%	824,024	90,994
Exempt income	(349,772)	(171,857)
Other taxable income	417,074	-
Annual Allowance	(316,677)	(312,130)
Other allowable deductions	(113,185)	(274,355)
Non-allowable expenses	407,115	424,887
	868,579	(242,461)
Loss brought forward	(332,125)	-
<b>Tax payable after APS at 30 June</b>	<b>536,454</b>	<b>-</b>

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 29. DEFERRED TAX LIABILITY

Deferred taxation is calculated on all temporary differences under the liability method at the rate of 15% (2017: 15%). The movement on deferred tax account is as follows:

	2019	2018
	Rs.	Rs.
At 1 July :- General	323,320	930,891
Life	181,003	113,102
Transfer to retained earnings		
Charge for the year: Life	(181,003)	67,901
Charge for the year: General	111,119	(607,571)
<b>At 30 June</b>	<b>434,439</b>	<b>504,323</b>
The deferred tax balances comprise the following:		
Accelerated capital allowances	434,439	323,320
Loss carried forward	-	181,003
<b>At 30 June</b>	<b>434,439</b>	<b>504,323</b>

### 30. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with key management personnel which are defined by IAS 24 Related Party Disclosures, as those persons having authority and responsibility in planning, directing and controlling the activities of the Company, including directors and key management personnel consisting of the Chief Executive Officer and Senior Managers.

Terms and conditions of transactions with related parties are made at market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables and payables. At each financial year, the assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 30. RELATED PARTY TRANSACTIONS (Continued)

Related party transactions during the year:

	2019	2018
	Rs	Rs
<b>Receivable from related parties</b>		
Founder Share Commission to Promunit Ltd	745,604	6,707,063
<b>Sale of services to:</b>		
Directors and key management personnel		
Insurance contracted and paid	1,428,225	141,630
Outstanding insurances	55,202	1,656
Loan to director	255,000	
<b>Remuneration of key management personnel</b>		
Salaries and short term benefits	1,897,358	2,245,334

### 31. EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year for the year attributable to ordinary shareholders and on the number of shares issued.

	2019	2018
	Rs	Rs
Profit for the year	4,091,350	396,862
Number of ordinary share in issue	2,500,000	2,500,000
Earnings per share	1.64	0.16

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 32. CORPORATE SOCIAL RESPONSIBILITY

Social Responsibility ("CSR") Fund equivalent to two per cent of its tax chargeable income derived during the preceding year applicable as from 1st July 2009. Since the Company did not have a CSR Fund which is being separately monitored, the Management decided to pay the CSR contribution to Mauritius Revenue Authority (MRA). The Company has decided to remit the CSR contribution to the MRA upon payment of its Corporate Tax.

During the last two preceding years, the provision for CSR is nil the Company taxable income was nil.

The Company however has contributed towards nonregistered CSR organisations as a social responsibility.

There was no donation during the year.

	2019	2018
	Rs.	Rs.
CSR Contribution	-	-
Other contributions and sponsorship	-	17,000

### 33. PREMIUM DEFICIENCY RESERVE

	2019	2018
	Rs.	Rs.
Provision for the year	6,000,000	4,000,000

Following actuarial report, the latter has advised a reserve of up to Rs 6,834,004 and the Company have resolved to increase it to Rs 6m.

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 34. FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
	Rs.	Rs.	Rs.	Rs.	Rs.
Share Capital	<b>25,000,000</b>	25,000,000	25,000,000	25,000,000	25,000,000
Revenue reserves	<b>124,827,162</b>	123,955,308	122,546,745	122,537,543	119,247,412
Revaluation reserves	<b>13,846,034</b>	5,200,000	5,200,000	5,200,000	5,200,000
Fair value reserve	<b>52,066,671</b>	56,757,796	61,860,057	66,271,554	63,631,406
Profit / (Loss) before taxation	<b>3,922,079</b>	(6,077,906)	(85,031)	1,041,445	2,847,429
Profit / (Loss) after taxation	<b>3,372,272</b>	(5,497,270)	(1,040,714)	743,207	2,726,774
Profit for the year	<b>5,186,438</b>	396,862	2,370,445	2,520,277	6,354,750
Total comprehensive (loss) income for the year	<b>12,878,547</b>	(1,253,707)	(1,549,515)	4,682,209	15,471,656
Dividend	-	-	-	-	-
Earnings per share	<b>1.64</b>	0.16	0.95	1.01	2.54

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

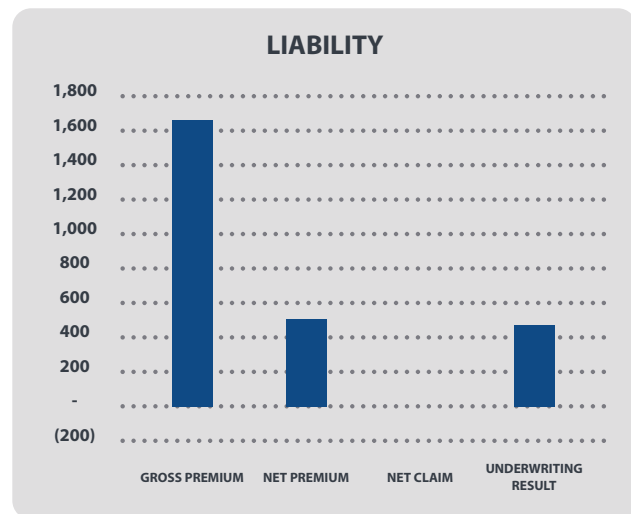
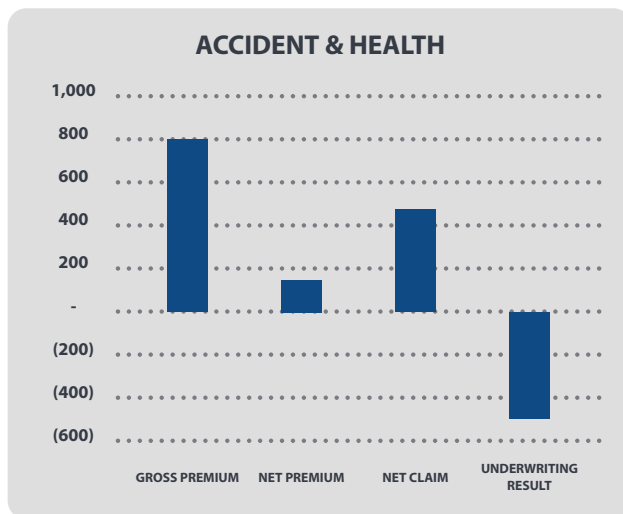
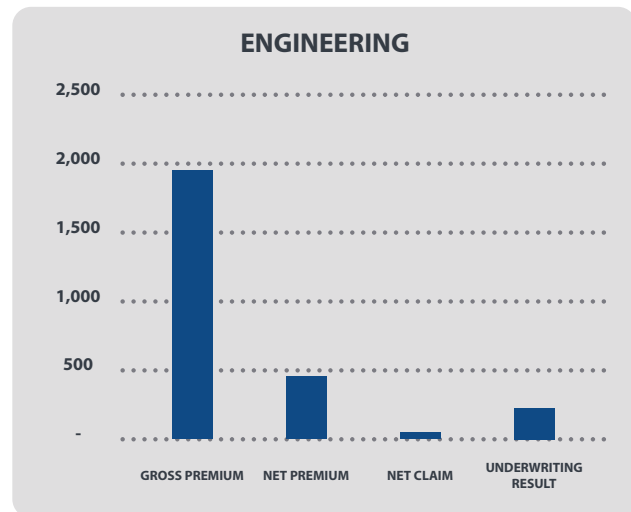
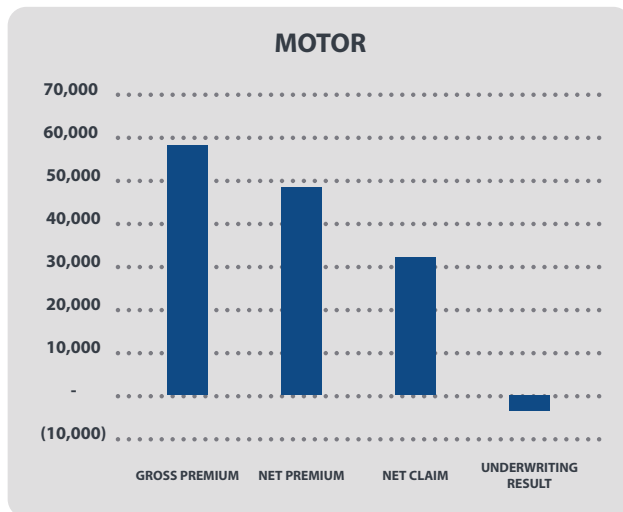
### 35. SEGMENT INFORMATION - Revenue statement for General branch by classes of business

	TOTAL Rs. '000	Motor Rs. '000	Accident & Health Rs. '000	Engineering Rs. '000	Liability Rs. '000	Property Rs. '000	Transportation Rs. '000	Guarantee Rs. '000	Miscellaneous Rs. '000
<b>Gross Premium on direct business</b>	68,356	58,675	796	1,969	1,632	1,351	2,208	1,474	252
Net Premium Written	54,379	52,635	237	134	593	128	401	167	84
Net Earned Premium	49,227	48,701	156	476	307	(6)	(281)	(251)	125
Net Claims Incurred	32,207	31,669	485	14	(3)	(17)	74	-	(16)
Net Commission (paid) / received	(3,698)	(4,794)	68	275	114	180	249	190	19
Management Expenses	16,846	14,915	234	495	135	349	182	435	101
<b>UNDERWRITING PROFIT / LOSS</b>	(3,524)	(2,678)	(496)	242	289	(157)	(288)	(495)	59
Investment Income	7,551	6,686	105	222	60	156	82	195	45
<b>TECHNICAL OPERATING PROFIT</b>	4,027	4,008	(391)	464	349	(1)	(207)	(300)	104

# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

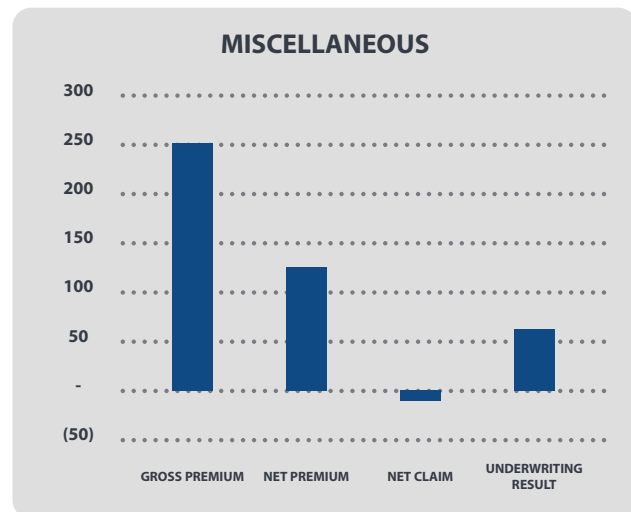
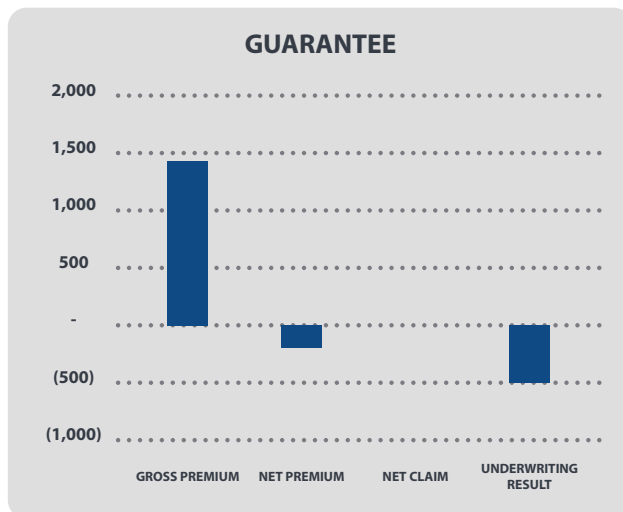
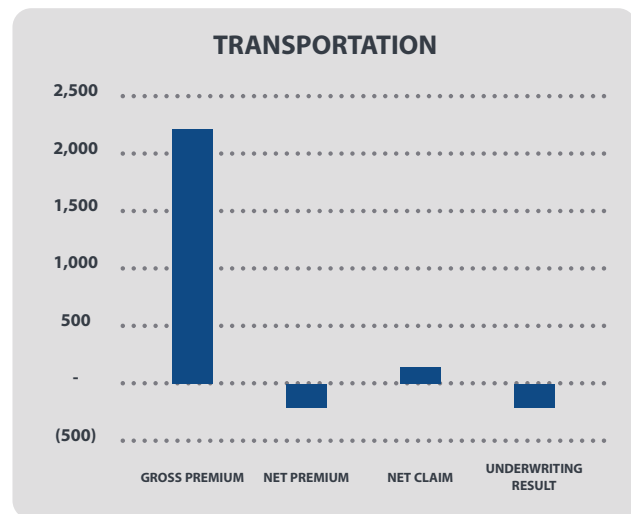
### 36. BARCHART HIGHLIGHTS BY CLASS OF BUSINESS



# INDIAN OCEAN GENERAL ASSURANCE LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 36. BARCHART HIGHLIGHTS BY CLASS OF BUSINESS (Continued)







OVER  
49  
YEARS  
SERVING  
MAURITIANS



# ioga

INDIAN  
OCEAN GENERAL  
ASSURANCE LTD

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